

OFFICIAL STATEMENT

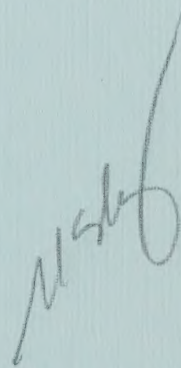
**Carlsbad Unified School District
Educational Facilities Corporation**
San Diego County, California

\$1,420,000 Series of 1980 Bonds

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Bids to be received by the Corporation until 10:00 A.M. on Wednesday, March 19, 1980,
at the offices of Stone & Youngberg Municipal Financing Consultants, Inc.,
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OFFICIAL STATEMENT
\$1,420,000 SERIES OF 1980 BONDS
CARLSBAD UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION

Mr. James L. Clauson, *President*

Mr. Gerald C. McClellan, Jr., *Vice President*

Mr. Martin J. Dahlquist, *Secretary*

Mrs. Kathryn M. C. Riley, *Treasurer*

Mr. Michael R. Straub, *Director*

CARLSBAD UNIFIED SCHOOL DISTRICT
BOARD OF TRUSTEES

Mr. W. Allan Kelly, *President*

Mrs. Mary A. Scherr, *Vice President*

Dr. Thomas L. Curtin

Dr. Richard R. O'Neil, *Clerk*

Mr. John J. Mamaux

ADMINISTRATIVE STAFF

Mr. Robert A. Crawford, *Superintendent*

Mr. Glen Whitener, *Associate Superintendent*

PROFESSIONAL SERVICES

Orrick, Herrington, Rowley & Sutcliffe, *San Francisco*

Bond Counsel

Stone & Youngberg Municipal Financing Consultants, Inc., *Los Angeles and San Francisco*

Financing Consultants

United California Bank, *Los Angeles*

Trustee

Manufacturers Hanover Trust Company, *New York*

The Northern Trust Company, *Chicago*

Paying Agents

THE DATE OF THIS OFFICIAL STATEMENT IS FEBRUARY 19, 1980

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CARLSBAD UNIFIED SCHOOL DISTRICT

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, \$1,420,000 principal amount of the Series of 1980 Bonds, proposed to be issued by the Carlsbad Unified School District Educational Facilities Corporation.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the Corporation and the Carlsbad Unified School District (which firm will receive compensation from the Corporation contingent upon the sale and delivery of the Bonds).

This Official Statement is not to be construed as a contract with the purchasers of the Series of 1980 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The agreements of the Corporation with the purchasers of the Bonds are set forth in the Indenture and the First Supplemental Indenture. Those documents will be available to any prospective investor in the Bonds. Reference is hereby made to those documents for a complete statement of the rights and obligations of the Corporation and holders of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Corporation to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The Corporation will deliver to the purchaser of the Bonds a certificate signed by an official of the Carlsbad Unified School District, dated the date of bond delivery, stating that as of the date hereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds, and authorizing the purchaser of the Bonds to distribute copies of the Official Statement in connection with the resale of the Bonds. One hundred (100) copies of the Official Statement will be supplied to the purchaser of the Bonds for this purpose.

The opinion of Orrick, Harrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel to the Corporation, will be furnished to the successful bidder (see the subsection entitled "Legal Opinion" herein). The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the sections titled "Site Lease (Project Phase II)," "Facility Lease (Project Phase II)" and "The Indenture and the First Supplemental Indenture Thereto".

Dated February 19, 1980

**CARLSBAD UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION**

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SUMMARY OF ESSENTIAL FACTS AND ESTIMATES
CARLSBAD UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION
\$1,420,000 PRINCIPAL AMOUNT SERIES OF 1980 BONDS

Issuer and Authority for Issuance: Carlsbad Unified School District Educational Facilities Corporation, organized pursuant to the General Non-profit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code). The Bonds are issued pursuant to an Indenture between the Corporation and United California Bank, Los Angeles, California, as Trustee.

Purpose of Issue: Finance the construction of a little theatre-auditorium building at Carlsbad High School (Project Phase II), for lease to the Carlsbad Unified School District.

Issue of Bonds: \$1,420,000 principal amount of Series of 1980 Bonds of the Corporation, dated April 1, 1980 and maturing on May 1 as follows:

Year	Principal Maturing May 1	Year	Principal Maturing May 1
1982	\$ 25,000	1993	\$ 60,000
1983	25,000	1994	65,000
1984	30,000	1995	70,000
1985	30,000	1996	75,000
1986	35,000	1997	80,000
1987	35,000	1998	90,000
1988	40,000	1999	95,000
1989	40,000	2000	105,000
1990	45,000	2001	115,000
1991	50,000	2002	120,000
1992	55,000	2003	135,000

Interest Maximum rate not to exceed ten percent per annum, payable for the first seven months on November 1, 1980, and semiannually thereafter on May 1 and November 1 of each year.

Time and Place of Sale: Wednesday, March 19, 1980 at 10:00 A.M. at the offices of Stone and Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California.

Redemption Provisions: All bonds are subject to redemption from proceeds of insurance or eminent domain on any date without premium. The Series

of 1980 Bonds are not otherwise callable prior to their stated maturity dates.

Payment and Registration: Interest and principal payable at the principal office of United California Bank in Los Angeles, California (the Trustee), or, in the case of coupon bonds at the offices of the Manufacturers Hanover Trust Company in New York, New York, or The Northern Trust Company in Chicago, Illinois. Coupon bonds in denomination of \$5,000 or in fully registered form, interchangeable at the office of the Trustee.

Tax Exemption: In the opinion of Bond Counsel, interest on the Series of 1980 Bonds is exempt from all present federal and State of California personal income taxes.

Legality for Investment: The Series of 1980 Bonds are eligible to secure deposits of public funds in California under Section 53651.5 of the California Government Code. It is believed the U.S. Comptroller of Currency will issue a ruling that the Series of 1980 Bonds are eligible for purchase, dealing in, underwriting, and unlimited holding by national banks.

No Litigation: There is no litigation pending concerning the validity of the Series of 1980 Bonds; Corporation will furnish successful bidder a no-litigation certificate at the time of bond delivery.

Legal Opinion: Orrick, Herrington, Rowley & Sutcliffe, San Francisco.

Security: Payment of Bond interest and principal secured by a first and exclusive charge upon District base rental payments. Rental payments are general fund obligations and District covenants to budget and appropriate necessary funds each year.

At an election held November 8, 1977, District voters approved a 6.0¢ per \$100 assessed valuation maximum annual tax rate increase over the period 1978/79 to 2002/03 for the purposes of (1) preparing plans and specifications, and (2) leasing the Project Phase II to be constructed for District's use. Proceeds of the voter approved maximum tax rate

increase may be used only to meet District rental obligations and other Project Phase II costs.

Project Phase I (financed primarily through the issuance of Series of 1976 Bonds) annual base rental is fixed at \$106,116 for fiscal years 1977/78 through 1999/2000. Such base rental is derived from the proceeds of a voter-approved tax not to exceed 9.8¢ per \$100 assessed valuation.

District annual base rental obligations for Project Phase II, estimated to be \$153,300 payable in semi-annual installments beginning October 15, 1981 and April 15, 1982, and each subsequent October 15 and April 15 through April 15, 2003 is anticipated to be met from proceeds of voter-approved lease authorization tax.

The estimated base rental is based on the following assumptions: (1) actual Project Phase II construction costs as bid, (2) a bid of nine percent per annum interest rate on Bonds issued to finance the construction of Project Phase II, (3) funded interest through the expected completion date of the facilities, and (4) the funding of a bond service reserve equal to estimated maximum annual debt service.

Based on the District's estimated minimum 1981/82 assessed valuation (\$256,912,500), the voter-approved lease tax for the Project Phase II purposes would provide coverage of 1.006 times the estimated base rental obligation for Project Phase II. The coverage ratio is expected to be greater than 1.006 to the extent that (1) the Series of 1980 Bonds are sold at a rate of interest less than nine percent, and (2) the District's assessed valuation increases between 1979/80 and 1981/82 at a rate greater than the two percent per year inflation allowance permitted under Article XIII A of the State Constitution due to (a) new construction undertaken in the District from March 1, 1979 through March 1, 1981, and (b) changes in ownership of properties. The District's assessed valuation increased nearly 16.8 percent in 1978/79 and more than 21.4 percent in 1979/80 despite the limitations imposed by Article XIII A.

Other Protective Provisions Series of 1980 Bonds:

(1) Reserve equal to maximum annual debt service created from bond proceeds; (2) interest funded from bond proceeds through May 1, 1981; (3) firm construction bids have been received with 100% faithful performance and 100% labor and materialmen's bonds; and (4) insurance protection includes

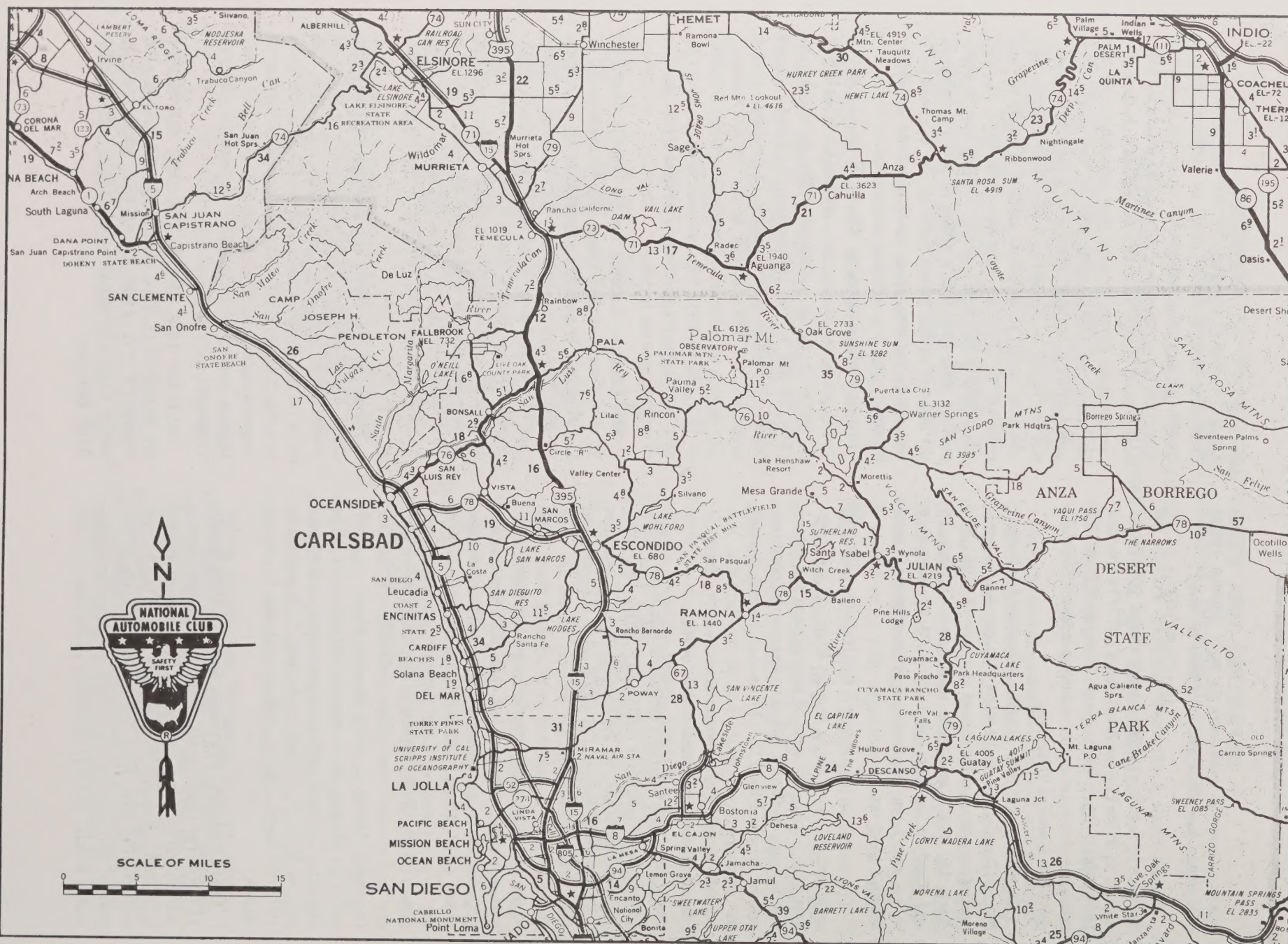
fire and extended coverage for not less than full replacement cost of the facilities or sufficient to pay Bonds, subject to a deductible clause not to exceed \$100,000 for any one loss; earthquake insurance after completion, if such insurance is available on the open market from reputable insurance companies, for not less than full replacement cost of the facilities or sufficient to pay Bonds, subject to a deductible clause not to exceed 10 percent of replacement cost for any one loss; rental interruption insurance equal to time required to construct structure plus three months, less a 30-day deductible; public liability and property damage insurance; and a policy of title insurance in the amount of the Bonds insuring the Corporation's interest in the site upon which facilities are to be located.

District Financial Data: Five year history shows: (1) decrease in average daily attendance from 4,287 in 1974/75 to an estimated 4,205 in fiscal year 1978/79 due to the elimination of summer school following passage of Proposition 13 (summer school accounted for 259 students in the 1974/75 total); (2) growth in assessed valuation from \$139,872,099 in 1975/76 to \$257,551,842 in 1979/80; and (3) total secured tax collections averaged 97.44 percent of current year tax levies.

The District: Located on the Pacific Coastline 35 miles north of San Diego and 90 miles south of Los Angeles. Population estimated at approximately 31,000. District encompasses approximately 80 percent of the land area of the City of Carlsbad where population has grown from 9,253 in 1960 to an estimated 32,100 in 1979. Average median building permit valuation for a new home exclusive of land in 1979 was \$98,088. 1975 median family income was \$12,474, compared to \$10,982 for San Diego County as a whole.

Direct and Net Direct and Estimated Overlapping Debt. Upon delivery of the Corporation's Series of 1980 Bonds currently being offered for sale, the total of the Corporation's and District's direct debt will be \$4,450,795 or 1.73 percent of 1979/80 assessed valuation. Net direct and estimated overlapping debt will equal 3.97 percent of assessed valuation.

ALL OF THE TERMS OF THIS SUMMARY OF ESSENTIAL FACTS AND ESTIMATES ARE SUBJECT TO THIS OFFICIAL STATEMENT AND THE OFFICIAL NOTICE OF SALE OF THE BONDS.



Vicinity map showing the location of Carlsbad in relation to the city of San Diego.

CARLSBAD UNIFIED SCHOOL DISTRICT EDUCATIONAL FACILITIES CORPORATION

Organization and Membership

The Carlsbad Unified School District Educational Facilities Corporation (the "Corporation") was formed on November 26, 1975, as a nonprofit corporation pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1, of the California Corporations Code). The purpose of the Corporation is to provide financial assistance to the Carlsbad Unified School District (the "District"), San Diego County, California by financing the acquisition, construction, improvement and remodeling of public school buildings and facilities for the District.

The Corporation functions as an independent entity and its policies are determined by a five-member Board of Directors who are community leaders and residents of the District. The corporate directors receive no compensation for work or service performed as corporation directors. All staff work is done by the District staff or by consultants to the Corporation since the Corporation has no employees. The members of the Board of Directors are:

President: James L. Clauson, realtor and active participant in school district and various citizen's advisory committees. Mr. Clauson is currently President of the Carlsbad Board of Realtors.

Vice-President: Gerald Chase McClellan, Jr., insurance agent and former President of the Carlsbad Chamber of Commerce.

Treasurer: Kathryn May Campbell Riley, employee of the Department of Public Welfare of San Diego County, former teacher, and active participant in local volunteer work.

Secretary: Martin Jerome Dahlquist, financial manager of Camp Pendleton Marine Corps Base, former Major in the United States Marine Corps.

Director: Mr. Michael R. Straub, self-employed civil engineer and builder, former President of the Miracosta College Advancement Council and the Carlsbad Unified School District Association of P.T.A.s.

Certain Powers of the Corporation

The powers of the Corporation are vested in, and exercised by, a majority of its directors. Under its Articles of Incorporation, the Corporation has all powers conferred upon nonprofit corporations by

the laws of the State of California including the following:

(a) To borrow money and issue bonds, debentures, notes and other evidences of indebtedness, and to secure the payment or performance of its obligations by pledge, mortgage, transfer in trust or otherwise;

(b) To acquire, by purchase, exchange, lease, gift, devise, bequest or otherwise, and to hold, improve, lease, sublease, mortgage, transfer in trust, encumber, exchange, convey or otherwise dispose of real and personal property; and

(c) To assume any obligations, enter into any contracts and other instruments and do any and all things incidental to or expedient for the attainment of its corporate purposes or the issuance and sale of its securities.

Financing Procedures and Basic Legal Documents

On May 27, 1975 voters of the District, by a vote of 1,502 to 1,221 (55%) approved an increase of 9.8¢ per \$100 assessed valuation in the District's maximum tax rate over the period 1975/76 to 1999/2000 for the purpose of preparing plans and specifications and leasing the following furnished, equipped, new school facilities: (1) art building and expansion of kitchen and food service area at Carlsbad High School, (2) shower and locker building at Valley Junior High School, and (3) food serving area building at Pine Elementary School (the "Project Phase I").

Proceeds from the sale of the \$1,210,000 principal amount of the Corporation's Series of 1976 Bonds were used to construct Project Phase I public school facilities on District-owned sites that were leased to the Corporation pursuant to provisions of a site lease. The Series of 1976 Bonds were issued pursuant to an Indenture (herein called the "Indenture") dated May 1, 1976, between the Corporation and United California Bank, Los Angeles, California, as Trustee (herein called the "Trustee").

On November 8, 1977, the District's electorate, by a vote of 2,117 to 1,546 (57.8%), approved an additional 6.0¢ per \$100 assessed valuation tax rate for the period 1978/79 through 2002/03 for the purpose of financing the preparation of plans and specifications and the leasing of a little theatre-auditorium complex at Carlsbad High School. Such facilities are referred to as the "Project Phase II".

Project Phase II facilities will be constructed on a District-owned site that is to be leased to the Corporation in accordance with the Site Lease (Project Phase II). The Project Phase II facilities will be leased to the District according to terms of the Facility Lease (Project Phase II). Summaries of these two leases appear under the respective headings in this section of the Official Statement.

The principal provisions of the Site Lease (Project Phase II) are substantially the same as the corresponding provisions of the Site Lease (Project Phase I), pursuant to which the District leased the sites of Project Phase I to the Corporation, except for necessary changes.

The principal provisions of the Facility Lease (Project Phase II) are substantially the same as the corresponding provisions of the Facility Lease (Project Phase I), pursuant to which the Corporation leased Project Phase I to the District, except for necessary changes.

On January 16, 1980 the Corporation received sealed competitive bids for construction of the Project Phase II facilities. The low bid (base bid plus additive alternate no. 1) was submitted by Raymond A. Whitwer of San Diego, California in the amount of \$1,293,500.

The \$1,420,000 Series of 1980 Bonds currently offered for sale will be issued pursuant to the Indenture and the First Supplemental Indenture, to be dated as of April 1, 1980, between the Corporation and United California Bank, Los Angeles, California, as Trustee. The First Supplemental Indenture will be executed prior to the delivery of the Series of 1980 Bonds.

The term "Bonds" as used herein shall include the Series of 1976 Bonds and the Series of 1980 Bonds.

The term "Project" shall include Project Phases I and II.

Proceeds from the sale of the Series of 1980 Bonds will be used, together with other available funds, to finance the construction of the little theatre-auditorium (Project Phase II) facilities. Other costs associated with the little theatre-auditorium complex (including carpeting, fixed seating, theatre equipment, landscaping and irrigation system improvements appurtenant to the facility) will be financed from District contributions, a surplus in the Construction Fund remaining following completion of

Project Phase I, and from proceeds derived from the levy of the 6.0¢ tax prior to commencement of rental under the Facility Lease (Project Phase II).

Site Lease (Project Phase II)

The Site Lease (Project Phase II) (herein referred to as the "Site Lease") will be dated as of April 1, 1980 and will be executed prior to the delivery of the Series of 1980 Bonds.

Pursuant to the Site Lease, the District will lease to the Corporation, at an annual rate of \$1.00, the real property (Demised Premises) upon which the Project Phase II facilities are to be constructed. The Corporation shall use the Demised Premises solely for the purpose of: (1) constructing Project Phase II facilities thereon, and (2) leasing back to the District the Demised Premises and the facilities thereon pursuant to the Facility Lease (Project Phase II).

Selected provisions of the Site Lease are summarized below:

Term. The term of the Site Lease shall start on the date of its recordation in the office of the County Recorder of San Diego County, State of California, or on October 1, 1980, whichever is earlier. The term of the Site Lease shall end on October 1, 2003, unless earlier terminated or extended. If prior to October 1, 2003, all of the Series of 1980 Bonds shall have been retired, the Site Lease shall be terminated ten days thereafter (the final maturity of the Series of 1980 Bonds is May 1, 2003). If on September 30, 2003 the Series of 1980 Bonds shall not be fully paid and retired, or if the rental payable under the Facility Lease (Project Phase II) shall have been abated, then the term of the lease shall be extended until ten days after all bonds and other indebtedness of the Corporation incurred to finance the construction of Project Phase II shall be fully paid and retired, except that the term of the lease shall in no event be extended beyond October 1, 2008.

Title to Site; Mortgage of Leasehold. The District owns the site upon which the facilities are to be constructed. Under provisions of the Site Lease, the Corporation is granted the right to mortgage or otherwise encumber by indenture, or deed of trust, or otherwise, the Site Lease, any rights thereunder, and the leasehold created thereunder to secure any indebtedness of the Corporation incurred to finance construction of Project Phase II.

Quiet Enjoyment. The Corporation at all times during the term of the Site Lease shall have and hold all of the Demised Premises except in the event of default.

Default. In the event the Corporation shall be in default in the performance of any of its obligations under the Site Lease, and the default continues for thirty days following notice and demand for correction thereof to the Corporation, the District may exercise its legal remedies; provided that the District shall have no power to terminate the Site Lease by reason of any default on the part of the Corporation if termination would affect or impair any assignment or sublease of all or any part of the Demised Premises between the Corporation and any assignee or subtenant of the Corporation (other than the District) under the Facility Lease (Project Phase II). So long as any such assignee or subtenant of the Corporation duly performs the terms and conditions of the lease and of its sublease (if any), such assignee or subtenant shall be deemed to be the tenant of the District and shall be entitled to all of the rights and privileges granted under any such assignment, provided that so long as any indebtedness of the Corporation secured by an indenture is outstanding and unpaid the rentals or any part thereof payable to the Trustee under such indenture shall continue to be paid to the Trustee.

Eminent Domain Proceedings. In the event all or any part of the Demised Premises or the Project Phase II improvements thereon are taken by eminent domain proceedings, the interest of the Corporation shall be recognized in the amount of the then unpaid indebtedness incurred by the Corporation to construct the Project Phase II facilities, including interest thereon and all other payments required to be made by, or to, the Trustee under the Indenture.

Termination and Disposition of Project. Upon the termination of the Site Lease, the Corporation agrees to surrender to the District the Demised Premises and title to the permanent structures and improvements existing thereon.

The foregoing summary discussion of selected features of the Site Lease (Project Phase II) is made subject to all of the provisions of the Site Lease (Project Phase II). This summary discussion does not purport to be a complete statement of provisions

of the Site Lease (Project Phase II). For full details, prospective purchasers of the Series of 1980 Bonds are referred to the complete text of the Site Lease (Project Phase II) which is available upon request to Stone & Youngberg Municipal Financing Consultants Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017.

Facility Lease (Project Phase II)

The Facility Lease (Project Phase II) (herein referred to as the "Facility Lease") will be dated as of April 1, 1980 and will be executed prior to the delivery of the Series of 1980 Bonds. The Corporation will lease to the District the Demised Premises and the Project Phase II facilities constructed thereon pursuant to provisions of the Facility Lease described below.

Selected provisions of the Facility Lease are summarized below:

Term. The term of the Facility Lease shall start on the day of its recordation in the office of the County Recorder of San Diego County, State of California or on October 1, 1980, whichever is earlier. The term of the Facility Lease shall end on September 30, 2003 unless earlier terminated or extended. If prior to September 30, 2003, all of the Series of 1980 Bonds shall have been retired, the Facility Lease shall terminate ten days thereafter (the final maturity of the Series of 1980 Bonds is May 1, 2003). If on September 30, 2003, the Series of 1980 Bonds have not been retired, the Facility Lease shall be extended until ten days after all Series of 1980 Bonds and any other indebtedness incurred to finance the construction of Project Phase II shall be fully paid and retired, except that the term of the Facility Lease shall in no event be extended beyond October 1, 2008.

Construction of Facilities. The District has obtained competitive bids for the construction of Project Phase II. Concurrent with the execution, delivery and recordation of the Facility Lease, the Corporation will enter into a contract with Raymond A. Whitwer, of San Diego, California, the lowest responsible bidder, for construction of Project Phase II in accordance with plans and specifications previously approved by the District.

Commencement of Rent. It is contemplated that the District will take possession of the Demised

Premises and Project Phase II on or before October 1, 1981 and the first semiannual payment of rental shall be due on October 15, 1981. The District may take possession of the Demised Premises and Project Phase II prior to October 1, 1981 if completed prior to that date. If for any reason the Corporation is not able to deliver possession of the Demised Premises and Project Phase II or any part thereof, to the District by October 1, 1981, the Facility Lease shall not be void nor shall the Corporation be liable to the District for any resulting loss or damage; but in that event, the rental payable by the District shall be abated based on the proportion the construction cost of the incompleting portion or portions of Project Phase II bears to the total construction cost of Project Phase II.

Rental. Rental payable for the use and occupancy of the Demised Premises and the Project Phase II facilities is denominated "base rental" and "additional rental."

Base Rental. The District agrees to pay the Corporation a base rental, semiannually beginning on October 15, 1981 and each succeeding April 15 and October 15 up to and including April 15, 2003 unless the Facility Lease has been earlier terminated or extended. The amount of base rental shall be in a specified amount sufficient to meet payments of interest and principal on the Corporation's Series of 1980 Bonds as they become due. The actual base rental obligation of the District will be determined following the sale of the Series of 1980 Bonds.

Additional Rent. The District is also required to pay to the Corporation additional rental, in an amount not to exceed \$3,000 annually, to meet administrative costs of the Corporation attributable to Project Phase II and the Corporation's Series of 1980 Bonds.

District Provision of Rental. The District covenants to include all base rental and additional rental payments in its annual budget and to make the necessary annual appropriations for all such payments. The Corporation and the Trustee will be furnished copies of each proposed and final budget of the District within ten days after the filing or adoption thereof.

Any installment of rentals not paid when due shall bear interest at the rate of ten percent per annum

until paid. The District has agreed to pay all installments of rentals when due notwithstanding any unresolved dispute with the Corporation.

Abatement of Rental. Rental shall be abated during any period in which there is substantial interference with the District's use and occupancy of the Demised Premises and the Project Phase II facilities due to damage or destruction. The abatement of District rental, until substantial completion of the repair or reconstruction work, shall be based on the proportion of initial costs of the unusable portion or portions of the Project Phase II facilities to the total initial cost of Project Phase II facilities. In the event of any such damage or destruction, the lease shall continue in full force and effect and the District waives any right to terminate the lease by virtue of such damage or destruction.

Insurance. Except if such insurance is otherwise obtained by the Corporation or the construction contractor, the District is required to obtain and maintain throughout the term of the Facility Lease various insurance coverages including fire and extended coverage, earthquake (after completion of construction and if available on the open market from reputable insurance companies), public liability and property damage, and rental or use and occupancy insurance. The major features of these types and amounts of insurance coverages are discussed under the heading "The Indenture and the First Supplemental Indenture Thereto" in "The Bonds" section of this Official Statement commencing on page 7. Various insurance coverages are to be provided by the construction contractor and the Corporation during construction and are discussed in the section of this Official Statement entitled "The Project".

Maintenance, Utilities, Taxes and Assessments. The District shall be responsible for the maintenance and repair of the Demised Premises and Project Phase II while in possession, and shall pay or arrange for the payment of such costs, as well as utilities, and taxes and assessments affecting the Demised Premises or the Project charged to the Corporation or the Trustee throughout the term of the Facility Lease.

Eminent Domain Proceedings. In the event the Project Phase II facilities are permanently taken under the power of eminent domain, the Facility

Lease shall terminate. In the event less than all of the Project Phase II facilities are taken under the power of eminent domain or if the whole of the Project Phase II facilities are taken under the power of eminent domain temporarily, the Facility Lease shall continue in full force and there shall be a partial abatement of rent to be agreed upon by the District and the Corporation; however, in no event shall the rental payable by the District be less than the amount required for the payment of bond principal and interest as they become due.

Option to Purchase. The District shall have the option to purchase the Corporation's interest in any part of the Project Phase II facilities upon payment of an option price equal to the amount of the total rental attributable to such part of the Project Phase II facilities (determined by reference to the proportion which the construction cost of such part of the Project Phase II facilities bears to the construction cost of all of the Project Phase II facilities) for the entire remaining term of the lease. In such event, base rentals will be proportionately reduced and the lease will terminate as to such part of the Project.

Default By District. Should the District default and fail to remedy any default, the Corporation has the right to terminate the Facility Lease and re-enter the premises, or without terminating the Facility Lease, re-enter and relet Project Phase II facilities as the agent of and for the account of the District, but there shall be no acceleration of rent upon any default. Notwithstanding any such entry by the Corporation, the District shall remain liable for payment of all rentals, and for any damages for breach of the lease and for performance of all conditions of the lease.

Termination and Disposition of Project. Upon termination of the Facility Lease, the Corporation agrees to surrender to the District the Demised Premises and title to permanent improvements thereon.

The foregoing summary discussion of selected features contained in the proposed form of Facility Lease is made subject to all of the provisions of the proposed form of Facility Lease. This summary does not purport to be a complete statement of such provisions and reference is made to the proposed form of the Facility Lease (Project Phase II) which will be provided upon request by Stone & Young-

berg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017.

Equipment Lease

The District will lease from the Corporation the carpeting, fixed seating, theatre equipment and landscaping and irrigation improvements to be constructed in and around Project Phase II under terms of an Equipment Lease to be dated as of April 1, 1980. Such equipment will be acquired and installed by the Corporation but are not Project Phase II facilities. The District will pay the Corporation a one-time rental of \$198,695 on or before the commencement of the lease. The rights of the District under the Equipment Lease will be subordinate to

the rights of the Corporation and the Trustee under the Facility Lease (Project Phase II) between the Corporation and District.

Copies of the proposed form of the Equipment Lease are available from Stone & Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017.

Corporation Financial Statements

Financial Statements of the Corporation for the years ending June 30, 1978 and June 30, 1979 (with Accountants' Report thereon) are available upon request by Stone & Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017.

THE BONDS

Authority for Issuance

The \$1,420,000 principal amount of Carlsbad Unified School District Educational Facilities Corporation Series of 1980 Bonds (herein referred to as the "Series of 1980 Bonds"), are to be issued pursuant to the Non Profit Corporation Law of the State of California (Division 2 of Title 1 of the California Corporations Code), the Indenture and the First Supplemental Indenture, to be dated April 1, 1980. The Series of 1980 Bonds will be secured under provisions of the Indenture. Copies of the Indenture and the proposed First Supplemental Indenture are available upon request to Stone & Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017.

Terms of Sale

Bids for the purchase of the \$1,420,000 principal amount of the Series of 1980 Bonds will be received by a representative of the Corporation at 10:00 A.M., Wednesday, March 19, 1980, at the offices of Stone & Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017. Details of the terms of sale are included in the Official Notice of Sale adopted by the Board of Directors of the Corporation on February 19, 1980.

Description of the Bonds

The Bonds of the Series of 1980 will be dated April 1, 1980 and will bear interest, at a rate not to exceed ten percent per annum, from their date, payable for seven months on November 1, 1980 and semi-annually thereafter on each May 1 and November 1. The Series of 1980 Bonds will mature on May 1 in the years and in the amounts shown in the accompanying Schedule of Maturities.

Redemption Provisions

The Corporation shall have the right, on any date, to redeem the Series of 1980 Bonds as a whole, or in part, from proceeds of insurance paid for loss or substantial damage to the Project Phase II facilities or proceeds of eminent domain proceedings, at the principal amount and accrued interest thereon to the date fixed for redemption, without premium. If less than all of the outstanding bonds are to be redeemed, the Trustee shall select for call a principal amount in each maturity so as to result in as nearly equal as possible annual debt service requirements for the

**CARLSBAD UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION****Series of 1980 Bonds
Schedule of Maturities**

May 1	Principal Maturing	May 1	Principal Maturing
1982	\$ 25,000	1993	\$ 60,000
1983	25,000	1994	65,000
1984	30,000	1995	70,000
1985	30,000	1996	75,000
1986	35,000	1997	80,000
1987	35,000	1998	90,000
1988	40,000	1999	95,000
1989	40,000	2000	105,000
1990	45,000	2001	115,000
1991	50,000	2002	120,000
1992	55,000	2003	135,000

remaining bonds and shall determine the bonds to be called by lot within each maturity.

The Series of 1980 Bonds are not otherwise callable for redemption prior to their stated maturity dates.

Trustee and Paying Agents

The United California Bank, Los Angeles, California, has been appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and will disburse bond moneys in conformity with the Indenture. In addition to holding and administering the various funds of the Corporation, the Trustee will invest the funds held in trust and will be the recipient of the rental revenues of the Corporation relating to the Project. The Trustee will also act as Paying Agent of the Corporation, paying bond interest and principal. The Trustee will act as bond registrar and will authenticate all registered bonds.

Interest and principal are payable in lawful money of the United States of America at the principal office of the Trustee, United California Bank, in Los Angeles, California, and in the case of coupon bonds, at the option of the holder at the principal office of Manufacturers Hanover Trust Company in New York, New York, or at the office of The Northern Trust Company in Chicago, Illinois.

Form, Denomination and Registration

The Series of 1980 Bonds will be issued as coupon bonds in the denomination of \$5,000, or as fully registered bonds in the denomination of \$5,000 or any multiple thereof so long as principal shall mature in only one year. Coupon bonds and fully registered bonds will be interchangeable at the office of the Trustee as provided for in the Indenture.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Series of 1980 Bonds but neither failure to print such numbers on any Series of 1980 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Series of 1980 Bonds in accordance with the terms of the purchase contract.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, bond counsel to the Corporation, approving the validity of the Series of 1980 Bonds, will be furnished to the purchasers without charge at the time of the original delivery of the Series of 1980 Bonds. A copy of the legal opinion will be printed on each bond. The proposed form of legal opinion of Orrick, Herrington, Rowley & Sutcliffe, bond counsel, to be delivered to the bond purchasers is available from Stone & Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017. The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the sections titled "Site Lease (Project Phase II)", "Facility Lease (Project Phase II)" and "The Indenture and the First Supplemental Indenture Thereto".

Bond counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except that if the bonds are not issued and the project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

Tax Exempt Status

In the opinion of bond counsel, the interest on the Series of 1980 Bonds will be exempt from all

present Federal income taxes under existing laws, rulings, regulations, and court decisions, and bond interest will be exempt from all present State of California taxes other than inheritance, estate, gift and franchise taxes.

Legality for Investment

The Series of 1980 Bonds are eligible for security for deposits of public moneys in California.

Eligibility for National Banks

A request will be made to the Comptroller of the Currency for a ruling that Series of 1980 Bonds of the Corporation are eligible for purchase, dealing in, underwriting and unlimited holding by national banks.

Sale of Bonds in California

The Division of Corporation Finance of the United States Securities and Exchange Commission has issued a "no-action" letter to the Corporation stating that the Division of Corporation Finance will not recommend any action to the Securities and Exchange Commission if the proposed bond offering is made without prior compliance with the registration requirements of the Securities Act of 1933 or qualification of the Indenture under which the Series of 1980 Bonds are to be issued under the Trust Indenture Act of 1939. The Commissioner of Corporations of the State of California has issued an interpretive opinion stating that the Series of 1980 Bonds are exempt from the qualification requirement of Section 25110 of the California Corporate Securities Law of 1968. The Series of 1980 Bonds are being offered and sold without registration under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939, and without qualification under the California Corporate Securities Law of 1968, in reliance upon such "no-action" letter and such interpretive opinion.

Resale of Bonds in Other States

The purchaser will assume responsibility for taking any necessary action to qualify the bonds for offer and sale in jurisdictions other than California in which it is desired to offer the bonds for resale, and for complying with the laws of all jurisdictions on resale of the Series of 1980 Bonds, and shall indemnify and hold harmless the Corporation and its officers and directors from any loss or damage resulting from any failure to comply with any such law.

No Litigation

There is no litigation pending concerning the validity of the Series of 1980 Bonds, and the Corporation will furnish to the successful bidder a no-litigation certificate certifying to the foregoing at the time of the delivery of the Series of 1980 Bonds.

Serrano v. Priest

A California Superior Court, in a case entitled *Serrano v. Priest*, ruled that the California system of levying property taxes and applying funds for public school purposes in effect at the time of the ruling was unconstitutional under provisions of the California Constitution.

The California Supreme Court in a decision dated December 30, 1976, affirmed the judgment of the Superior Court in that case. The Supreme Court decision requires that a new system for financing California primary and secondary schools must be implemented by September 30, 1980.

The Superior Court judgment, as affirmed by the California Supreme Court, contains a statement that the existing public school financing system shall continue to operate until an appropriate system, not in violation of the California Constitution, can be placed into effect.

Chapter 894, Statutes of 1977, was enacted by the California Legislature and was signed by the Governor in response to *Serrano v. Priest*. This bill was designed to place state school finance "substantially" in compliance with the *Serrano v. Priest* decision. Chapter 894 significantly increased the amount of state money supplied to public school districts having a low local property tax basis, and provided for some equalization of tax moneys by redistributing some tax revenues of school districts having a high per-pupil property tax basis to school districts having a low per-pupil property tax basis. This legislation did not affect tax rate increases approved by voters of school districts for the long term leasing of public school buildings.

The financing method enacted by Chapter 894 was in effect superseded by legislation contained in Chapter 292, as amended, Statutes of 1978, and Chapter 282, Statutes of 1979 which were enacted following the approval of Proposition 13 on June 6, 1978. See the next subsection of this Official Statement entitled "1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation".

The attorney for the plaintiffs in the *Serrano* case has stated that the State of California has failed to comply with the *Serrano* requirements, and has indicated that the plaintiffs contemplate further court action to challenge the above-cited legislation. It cannot be predicted, if such a challenge is brought, whether such legislation will be determined to be constitutional under the standard promulgated under *Serrano v. Priest*.

Any further change resulting from *Serrano v. Priest* in the sources of funds, including property taxation, applied to the support of public schools, and any effect thereof on the moneys available to the District to pay rental under the Facility Leases which are the security for the Corporation's Bonds, including the Series of 1980 Bonds, are not determinable at this time. However, it is not believed that the result of such litigation will affect the validity of the Facility Leases during their term, even though the result of such further litigation or further legislation enacted in response thereto may affect the ability of the District to levy the voter-approved lease authorization taxes.

1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation

On June 6, 1978, California voters approved Proposition 13 (the Jarvis-Gann Constitutional Initiative) which added Article XIII A to the California Constitution and restricts the taxing powers of California public agencies. The text of Article XIII A of the California Constitution, as amended, is included as Appendix A of this Official Statement.

Supreme Court Validation. On September 22, 1978, the California Supreme Court upheld the validity of Article XIII A against a number of challenges which attacked Proposition 13 as a whole (*Amador Valley Joint Union High School District v. State Board of Equalization*). The Court found that it was premature to rule on the claim that Article XIII A impermissibly interfered with contracts in violation of the U.S. Constitution, stating that such a challenge must come when a specific contract or obligation is impaired. In addition, the Court left open for future decision many other questions regarding the detailed interpretation and implementation of Article XIII A.

1978/79 Implementing Legislation. Section 1 of Article XIII A limits the maximum ad valorem tax on real property to one percent of full cash value (as defined in Section 2 of Article XIII A), to be collected by the counties and apportioned according to law. Excluded from this limit is an amount of taxes or special assessments to pay interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978.

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provided that notwithstanding any other law, local agencies could not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county would levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the prior practice of using 25 percent of full cash value as the assessed value for tax purposes).

Chapter 292, as amended, added Section 2237 to the Revenue and Taxation Code. Section 2237, interpreting what constitutes "indebtedness approved by the voters prior to July 1, 1978" under Section 1 of Article XIII A, provides that, in addition to the tax of \$4.00 per \$100 assessed valuation which each county shall levy and distribute to local agencies, any school district (among other eligible local agencies) may levy a property tax equal to "the amount needed to make annual payments for the interest and principal on general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978 or the amount levied pursuant to . . . Sections 39308 [and] 39311 . . . of the Education Code." These sections of the Education Code authorize a school district to obtain voter approval to increase the maximum tax rate of the district for the purpose of acquiring a site or sites, preparing plans and specifications, and leasing facilities to be constructed for the use of the district.

Pursuant to this implementing legislation, the San Diego County Tax Collector included the voter approved lease authorization taxes at the rate of \$0.104 per \$100 assessed valuation on 1978/79 tax bills and \$0.108 per \$100 assessed valuation on 1979/80 tax bills in the District's taxing area. The District expects the lease authorization taxes to be levied in 1980/81 and subsequent years for Project purposes as approved by the voters of the District.

On April 18, 1979, the State Attorney General issued an opinion (No. CV 78-119) which apparently recognized the validity of Section 2237, and stated, in part, "if voters have approved the indebtedness for new school construction under [a lease-purchase] method of funding, and such approval occurred prior to July 1, 1978, the construction can be financed by a specific ad valorem tax on real property that exceeds the one percent limitation." This opinion is not binding on any court considering this issue, however.

There has been no court test of the validity of Section 2237 as it interprets Section 1 of Article XIII A of the California Constitution. Until there is a court decision upholding Section 2237 there is no assurance that the District will be able to continue to collect the lease authorization tax levies. If Section 2237 were to be struck down in this respect, the District cannot predict whether it could collect part or all of the lease authorization tax levies on the ground that Article XIII A unconstitutionally impairs contracts of the District. As noted above, the California Supreme Court did not rule on similar claims in the *Amador Valley* case.

Chapter 292 further provided that for fiscal year 1978/79 only, the property tax levied by each county (\$4.00 per \$100 assessed valuation) was to be apportioned among all taxing agencies within the county in proportion to their average share of property taxes levied in certain previous years. Chapter 292 also contained provisions appropriating a large part of the State's accumulated surplus revenues to be distributed among the State's local government units to replace lost property tax revenues in the 1978/79 fiscal year.

Chapter 282, Statutes of 1979. On July 24, 1979, the Governor signed Assembly Bill No. 8 (A.B. No. 8). This law, Chapter 282, Statutes of 1979, enacts a new system for the allocation, among California local public entities, of property tax revenues from the one percent of full cash value property tax rate limit of Article XIII A of the California Constitution. This law also enacts a long-term system of funding public education in California. The law also contains a "deflator" provision which would, in future years, automatically reduce the State's costs under the law, including the projected levels of State aid to school districts, if State revenues do not meet anticipated levels.

The principal features affecting school districts of the system enacted under this law are summarized below based upon the Legislature's "A.B. No. 8 Conference Committee Report, Long Term Local Government and School Financing, July 19, 1979" and the Legislative Counsel's Digest of the provisions of A.B. No. 8.

1. This law establishes new property tax allocation procedures which shift a portion of the school districts' property tax revenues to cities, counties, and special districts compared to 1978/79 property tax allocation procedures. Statewide, it is estimated that school districts will receive a 1979/80 "base" allocation of property tax revenues of approximately \$1.913 billion, which is approximately \$757 million lower than would otherwise have been received under the 1978/79 property tax allocation procedures; however, additional State school aid is provided in the law to offset this reduction in property tax revenue. The reduced pool of 1979/80 school property taxes in each county will be shared by each school district, community college district, and county superintendent of schools in proportion to their respective shares of 1978/79 school taxes.

2. In 1980/81 and future years, each school district will receive a base allocation equal to its total property tax allocation in the prior year plus its share of assessed value growth. Future assessed value growth from new construction, revised assessments due to changes in ownership of property and the two percent value growth to compensate for inflation (permitted under Article XIII A of the California Constitution) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth in proportion to their share of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's "base" allocation in the following year.

3. In 1979/80, revenue limits for school districts which were applicable in 1978/79 are recalculated, equalized, and adjusted to compensate for inflation at a statewide average increase of 8.6 percent. Districts having recalculated revenue limits above the statewide average for districts of their size will have their revenue limits increased by less than 8.6 percent while districts having recalculated revenue limits below the state-

wide average for districts of their size will have their revenue limits increased by more than 8.6 percent.

4. Revenue limits for years after 1979/80 are subject to annual inflation adjustment, which will vary among individual school districts based upon a number of factors. The 1980/81 inflation adjustments in revenue limits per unit of average daily attendance will range from \$85 to \$150 per unit of average daily attendance, depending upon the district's 1979/80 base revenue limit. Unified school districts whose revenue limit per unit of average daily attendance is less than \$1,500 will receive an adjustment of \$150 per unit of average daily attendance. Districts whose revenue limit per unit of average daily attendance is greater than \$2,000 will receive an adjustment of \$85 per unit of average daily attendance. Unified school districts whose revenue limit is between \$1,501 and \$2,000 will receive an adjustment ranging from \$85 to \$150 per unit of average daily attendance.

The tabulation on the facing page shows the District staff's estimate of the estimated impact of this law on the revenue limits of the Carlsbad Unified School District.

5. The law provides for annual payments from the State School Fund to school districts in amounts which, generally speaking, would be the difference between the revenue limit and local property tax revenues in each fiscal year. However, this anticipated level of State aid would be reduced if the "deflator" mechanism (described below) comes into operation.

6. By 1983/84 under this public education financing mechanism, it is anticipated that 89 percent of the unified school districts' average daily attendance will be located in school districts having a variation in expenditures per unit of average daily attendance of \$100, or less, while 94 percent of unified school districts' average daily attendance will be located in districts having an expenditure variation of \$150 or less per unit of average daily attendance.

7. The law contains a "deflator" mechanism whereby the total State cost of the provisions of the law would be reduced if insufficient funds are available in future years. Specifically, for 1980/81, if the State's total General Fund revenues and transfers, plus beginning surplus, as estimated on

June 10, 1980, fall below \$20.6 billion by more than \$100 million, the cost of the law will be reduced by the amount of the shortfall. Fifty percent of the shortfall would be reflected in an across-the-board percentage cut in school revenue limits. The remaining fifty percent would be effected through reductions in homeowner and business inventory exemption reimbursements proportionate to the amount of assistance granted by the law.

For future years, the Governor's budget would contain an estimate equivalent to the \$20.6 billion for 1979-80. If the total of State General Fund revenues, transfers and surplus, as estimated by the June 10 prior to the start of the fiscal year, fall short of that figure, then similar reductions would be made for that fiscal year to make up the shortfall. Such reductions shall be made unless the Legislature passes by June 30 a concurrent resolution providing that the reductions shall not be made.

8. This law contains many additional provisions for specific school-related programs including summer school, adult education, deferred maintenance of facilities, county offices of education, portable classrooms and other capital outlays, and various categorical aids.

Constitutional Limitation on Governmental Spending

An amendment to the California Constitution (Limitation of Governmental Expenditures — Initiative Constitutional Amendment), commonly referred to as the "Gann Initiative", was approved by California voters at a special Statewide general election on November 6, 1979 and added Article XIIIB to the California Constitution.

Under Article XIIIB beginning in 1980/81, the District will have an annual "appropriations limit", and it will not be able to spend certain moneys in an aggregate amount higher than the "appropriations limit". The spending of certain moneys will be excluded however from the "appropriations limit", including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the District's "appropriations limit" will be based on certain 1978/79 spending authorizations, and it will be adjusted annually to reflect changes in consumer prices and in the District's average daily attendance. Among other provisions of the

CARLSBAD UNIFIED SCHOOL DISTRICT**Chapter 282, Statutes of 1979****Estimated Impact on Revenue Limits****Per Unit of Average Daily Attendance**

Fiscal Year	Average Daily Attendance	Revenue Limit Total ^①	Revenue Limit Per Unit of Average Daily Attendance
1978/79 ^②	4,127	\$6,726,054	\$1,629.77
1979/80 ^③	4,300	7,489,181	1,741.67
1980/81 ^③	4,350	8,176,564	1,879.67

① The revenue limit total pertains to general education purposes and excludes categorical aid programs, capital outlay, and other special purposes.

② Recalculated actual; average daily attendance shown is for second apportionment period only and differs from entire school year data (i.e., estimated at 4,205) which is reported elsewhere in this Official Statement.

③ Estimated.

Source: Carlsbad Unified School District.

Article are: if District revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years; and the "appropriations limit" may be changed by vote of the District's electors, for a period of not more than four years.

There are many ambiguities and uncertainties in Article XIIIB which will require clarification from subsequent legislation or judicial decisions. The District therefore is unable to determine exactly how the Article will affect its ability to provide services and meet certain of its financial obligations, including payment of base rentals to the Corporation under the Facility Lease. The District's payment of such base rentals may be subject to the spending limitation.

As cited earlier, the District's "appropriations limit" will be based on certain 1978/79 spending authorizations adjusted annually to reflect changes in consumer prices and the District's average daily attendance. The District estimates that its spending authorization for Project purposes in 1978/1979 exceeded \$180,000. If the revenue to be generated by the lease authorization taxes is determined to be includable within the District's spending limit, the 1978/1979 spending authorization for Project purposes would be less than the District's estimated total annual base rental obligations (\$259,416, as

shown in the tabulation on page 17). Further, the District cannot expend lease authorization tax monies for any purpose other than payment of rental to the Corporation and other Project-related costs.

Section 7 of Article XIIIB states that it shall not be construed to "impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness"; however, application of this provision to the District's payment of base rentals is not certain.

The details of Article XIIIB of the California Constitution, as amended, are more complex than is indicated by the foregoing partial description. The full text of Article XIIIB of the California Constitution, as amended, appears as Appendix B of this Official Statement.

Proposed Initiative Constitutional Amendment to Reduce State Personal Income Tax Rates

In December 1979, a proposed initiative amendment to the California Constitution qualified for the June 1980 Statewide election. This proposed constitutional amendment would require that personal income tax rates for 1980 and subsequent years be set at rates not to exceed one-half of the rates in effect for the 1978 taxable year. Under this proposed amendment personal income tax rates applied to a

taxpayer's income would range from ½ of 1% to 5½ % compared with the 1978 range of 1% to 11%. The proposed constitutional amendment would also require the Legislature to provide a system for the adjustment of personal income tax brackets to reflect annual changes in the California Consumer Price Index or successor index, and exempt business inventories from property taxation.

The State's Legislative Analyst has estimated the reduction in income tax revenues for calendar years 1980, 1981, and 1982 which would result if the proposed constitutional amendment was approved. Based on these estimates, the proposed constitutional amendment, if adopted, would reduce the State's General Fund revenues by approximately \$4.9 billion in fiscal year 1980/81 and \$4.4 billion in fiscal year 1981/82.

Reference is made to the discussion under point 7 which discusses the "deflator" mechanism in the subsection of this Official Statement entitled "Chapter 282, Statutes of 1979", beginning on page 11. The State's Legislative Analyst estimates that passage of this proposed constitutional amendment would result in reductions in school apportionments and State subventions to cities, counties, and special districts in the aggregate amount of approximately \$3.6 billion, or about 32 percent of State education apportionments and local subventions. Additionally, reductions totaling approximately \$1.3 billion would be required to balance the State's General Fund budget in 1980/81 which could require further reductions in school apportionments, State subventions to local public entities and/or State operations.

The principal source of District funds for payment of rental obligations under the Facility Leases are expected to be the voter-approved taxes for Project purposes. The District is however unable to determine at this time the possible impact of this proposed constitutional amendment on the scope of services it provides and its ability to meet certain of its other financial obligations.

Purpose of Issue

The Series of 1980 Bonds are to be issued to finance the construction of a little theatre-auditorium complex at Carlsbad High School for lease to the Carlsbad Unified School District as more fully described in "The Project" section of this Official Statement.

Security

The Series of 1980 Bonds will be valid, binding, and legal obligations of the Corporation secured with the Series of 1976 Bonds under the Indenture and First Supplemental Indenture by the assignment, transfer in trust, transfer of security interest in, and pledge of the trust estate, including the following, to the United California Bank, Los Angeles, California, as Trustee:

(1) The leasehold estates of the Corporation in real property under the two Site Leases (Project Phases I and II) between the District, as lessor, and the Corporation, as lessee;

(2) All rights, title, and interest of the Corporation under the two Facility Leases (Project Phases I and II) between the Corporation, as lessor, and the District, as lessee; and

(3) All of the revenues derived by the Corporation from the use and operation of the Project Phase I now completed and Project Phase II to be constructed pursuant to the Site and Facility Leases (Project Phase II).

Series of 1976 and 1980 Bonds principal and interest coming due each year will be payable from semiannual base rental payments to be made by the District for use of all of the Project facilities. The District's annual base rental specified in the Facility Leases will be in an amount sufficient to pay principal and interest on the Series of 1976 and 1980 Bonds. Based on an estimated interest rate of nine percent that may be bid on the Series of 1980 Bonds, the District's maximum annual base rent for Project Phase II would be \$153,300. The exact amount of the semiannual base rental payment payable by the District for Project Phase II will be established subsequent to the determination of the interest rates the Series of 1980 Bonds will bear.

Under provisions of the Facility Lease (Phase II), the District will also be obligated to pay to the Corporation additional rent, not to exceed \$3,000 annually, to meet administrative costs of the Corporation attributable to Series of 1980 Bonds.

Authorized District Tax Rate Increase. At an election held on November 8, 1977, voters of the District approved an increase of 6.0¢ per \$100 assessed valuation in the District's maximum annual tax rate over the period 1978/79 to 2002/03 for the

purpose of (1) preparing plans and specifications for a little theatre-auditorium and (2) leasing such building and school facilities to be constructed for use by the District on the existing campus of Carlsbad High School.

The District levied a tax rate of 4.85¢ in 1978/79 and 6.0¢ in 1979/80 to pay the costs of planning fees, tests, and certain other expenses associated with Project Phase II. As of February 19, 1980, these expenditures totaled \$114,328.

Estimated District Rental Obligations. For the use and occupancy of Project Phase I, the District is obligated under the Facility Lease (Project Phase I) to pay the Corporation a base rental semiannually beginning on October 15, 1977 and each succeeding April 15 and October 15 up to and including April 15, 2000 unless such Facility Lease has been earlier terminated or extended. This semi-annual base rental is sufficient to pay principal and interest on the Series of 1976 Bonds. The yearly base rental of \$106,116 plus the maximum yearly additional rental of \$5,000 per year produces a yearly aggregate rental obligation of \$111,116 which commenced in fiscal year 1976/77.

The District's maximum annual base rent for Project Phase II payable to the Corporation in semi-annual installments beginning October 15, 1981 is estimated at \$153,300 assuming an interest rate of nine percent is bid on the Series of 1980 Bonds. The money derived from the District's lease authorization tax levied in fiscal year 1980/81 will be used for the October 15, 1981 lease payment and the balance applied to related Project costs. The money derived from subsequent fiscal year lease authorization taxes will be used for subsequent April 15 and October 15 lease payments up to and including April 15, 2003 in an amount sufficient to pay base rent obligations, and maximum additional rent obligations not to exceed \$3,000 annually, pursuant to the Facility Lease (Project Phase II). The additional rent obligation is expected to be paid from interest earnings on the Reserve Fund.

Estimated Tax Rate Coverage of Rental Obligations. Pursuant to the Facility Leases (Project Phases I and II), the District covenants to budget annually funds required for the payment of rental to the Corporation.

The principal source of District funds to pay rental to the Corporation is expected to be the voter approved taxes for Project purposes (maximum of \$0.098 per \$100 assessed valuation for Project Phase I Facilities and \$0.06 per \$100 assessed valuation for Project Phase II Facilities). In Statutes of 1978, Chapter 292, as amended by Chapter 332, the California Legislature has adopted legislation which interprets and implements the recently enacted Article XIII A of the California Constitution (Proposition 13) so as to permit the District to continue to collect the voter approved lease authorization tax levies over and above the limits on ad valorem property tax rates set in Article XIII A. There has been no court test of the validity of this legislative interpretation, and until such a test is made, there is no assurance that the District will be able to continue to collect the voter approved lease authorization tax levies. See the section of this Official Statement entitled "1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation", beginning on page 10.

The District's staff estimates 1981/82 assessed valuations of the District at a minimum of \$256,912,500 on the basis that the District's 1979/80 assessed valuation (\$257,551,842) will increase at the rate of at least two percent per year to compensate for inflation as permitted under Section 2(b) of Article XIII A of the California Constitution, and no major natural disasters will occur in the District which would cause a significant reduction in values of property. This estimate also takes into account legislation passed by the California Legislature which exempts business inventories from taxation entirely in 1980/81 and each fiscal year thereafter. This legislation provides for State reimbursement of an amount equivalent to the revenues which local agencies would have otherwise received from application of their share of the county-wide tax rate of \$4 per \$100 assessed valuation to such exempt values, but fails to provide for reimbursement of tax revenues from voted tax overrides lost by reason of such exemptions. In 1979/80, business inventories amounted to \$10,615,538 or approximately 4.1 percent of the District's total assessed valuation.

Based on the estimated 1981/82 assessed valuation of the District (\$256,912,500), the voter approved lease tax of \$0.06 per \$100 assessed valuation provides coverage of approximately 1.006 times the District's estimated maximum annual base rental obli-

gation under the Facility Lease (Project Phase II). The coverage ratio is anticipated to be greater than 1.01 to the extent that: (1) the Series of 1980 Bonds are sold at a rate of interest less than nine percent, and (2) the District's assessed valuation increases between 1979/80 and 1981/82 at a rate greater than two percent per year due to (a) new construction undertaken in the District from March 1, 1979 through March 1, 1981 and (b) changes in ownership of properties presently assessed at lower than current tax roll levels. The District's assessed valuation increased 16.8 percent in 1978/79 over the prior fiscal year and 21.4 percent in 1979/80 despite the limitations imposed by Article XIII A of the California Constitution.

The tabulation on the adjacent page covering the years 1980/81 through 1983/84 shows that at the projected minimum assessed valuation for revenue purposes, the maximum estimated tax rate required to fund estimated maximum annual repaid obligations of the District for Project Phase II would be \$.0597 per \$100 assessed valuation in 1981/82 (the first year in which the Project Phase II lease would require the payment of rentals). Also shown in the tabulation are extenuated coverage ratios afforded by the voter-approved lease tax authorization of \$0.06 per \$100 assessed valuation through 1983/84, the fiscal year in which the maximum annual debt service on the Series of 1980 Bonds is estimated to become payable.

General Fund revenues of the District, at the discretion of the Board of Education, may also be used to pay rental. The ending General Fund balance of the District as of June 30, 1979 was \$1,106,015. It is anticipated that in future years, General Fund revenues that may be available to pay rental will be substantially lower due to the revenue limiting features of Article XIII A of the California Constitution, the potential impact of the constitutional amendment, Article XIIIB, approved by California voters on November 6, 1979, which places spending limitations on the State and local government agencies, and the proposed initiative constitutional amendment to reduce State personal income tax rates.

The Bonds are not a debt, liability or obligation of the District. The Facility Leases will constitute legal, valid and binding instruments and the obligations of the District to pay each year's rental during

the terms of the Facility Leases will be valid and enforceable in accordance with the terms of said Leases subject to the limitations on legal remedies against school districts in the State of California and subject to laws relating to bankruptcy or insolvency or other laws affecting creditor's rights. The rentals payable by the District to the Corporation under terms of the Facility Leases will constitute the primary source of funds of the Corporation for the payment of the Bonds, including the Series of 1980 Bonds, and such rentals will be payable only from unrestricted revenues of the District legally available therefor. Remedies provided under the Facility Leases for default by the District do not include any right of acceleration of rent.

The Indenture and the First Supplemental Indenture Thereto

A summary of selected provisions of the Indenture and the First Supplemental Indenture under which the Series of 1980 Bonds will be secured follows.

The Trustee. United California Bank, Los Angeles, California has been appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and revenues of the Corporation for disbursement in conformity with the Indenture. In addition to administering the various funds of the Corporation, the Trustee will invest all funds held in trust, act as paying agent for the Corporation's Series of 1980 Bonds and act as bond registrar.

Creation of Special Funds. The Indenture provides for the establishment of special trust funds, all to be held and administered by the Trustee. These funds together with their sources and uses are summarized in the tabulation on page 18. Moneys held in the various funds may be invested by the Trustee under the provisions of Section 4.04 of the Indenture.

Disposition of Bond Proceeds. The First Supplemental Indenture provides that the proceeds from the sale of the Series of 1980 Bonds shall be deposited with the Trustee. The Trustee will then make the following deposits:

(1) *Interest Fund.* An amount sufficient to pay the interest accruing on the Series of 1980 Bonds on and before May 1, 1981.

(2) *Reserve Fund.* A sum equal to the greater of (i) the maximum annual debt service on the

CARLSBAD UNIFIED SCHOOL DISTRICT

Estimated Revenues Available for Base Rental Payments

Fiscal Year	Projected Minimum Assessed Valuation for Revenue Purposes ^①	District Fixed Base Rental Obligation Project Phase I	Estimated District Maximum Base Rental Obligation Project Phase II ^②	Total Estimated District Base Rental Obligation Project Phases I and II	Project Phase II Estimated Base Rental Tax Rate	Voter-Approved Project Phase II Base Rental Tax Rate Estimated Coverage Ratio ^③
1980/81	\$251,875,000	\$106,116	\$ 76,650 ^④	\$182,766	\$0.0600	2.000
1981/82	256,912,500	106,116	153,300 ^⑤	259,416	0.0597	1.006
1982/83	262,050,750	106,116	153,300	259,416	0.0585	1.026
1983/84	267,291,750	106,116	153,300	259,416	0.0574	1.046

① Based on a two percent annual adjustment of the District's 1979/80 assessed valuation (\$257,551,842) as permitted under Section 2(b) of Article XIII A of the California Constitution to compensate for inflation and an assumption that no major natural disasters will occur in the District which would cause a significant reduction in values of property within the District which were destroyed or damaged in a disaster. The estimated assessed valuations listed have been adjusted to reflect the full exemption of business inventories from taxation beginning in the 1980/81 fiscal year.

② Based on an estimated interest rate of nine percent which may be bid on the \$1,420,000 Series of 1980 Bonds currently being offered for sale.

③ Ratio of estimated base rental tax rate for Project Phase II to the voter-approved lease tax rate authorization of \$0.060 per \$100 assessed valuation.

④ First base rental payment on October 15, 1981 for interest on November 1, 1981 and one-half of principal due May 1, 1982.

⑤ Annual base rental payable in semiannual installments on April 15, 1982 and October 15, 1982 and each succeeding April 15 and October 15 through April 15, 2003.

Series of 1980 Bonds, or (ii) such amount which, together with the balance then on deposit, shall equal the maximum annual debt service on all Bonds then outstanding, including the Series of 1980 Bonds.

(3) *Construction Fund.* The balance of proceeds from the sale of Series of 1980 Bonds shall be deposited in the Project B Construction Account in the Construction Fund.

Funds and Documents Deposited With Trustee. The Corporation shall also, at or prior to the delivery of the Series of 1980 Bonds, deliver to the Trustee:

(i) a Written Order of the Corporation directing the Trustee to transfer from the Project A Construction Account in the Construction Fund to the Project B Construction Account in the Construction Fund, the aggregate amount then in the Construction Fund which shall not be less than

\$123,260, which amount the Trustee shall deposit in the Project B Construction Account in the Construction Fund; and

(ii) an amount to be determined to be provided by the District, which amount the Trustee shall deposit in the Project B Construction Account in the Construction Fund. (Such amount will be determined following the receipt of bids for the Series of 1980 Bonds and will be an amount which, when added to other available funds, will enable the Corporation to finance Project Phase II.)

When Project Phase II has been completed, a certificate of the Corporation stating the fact and date of such completion, together with the Architect's certificate stating the fact and date of such completion, shall be delivered to the Trustee by the Corporation. With the receipt of these certifications the Trustee shall transfer any remaining balance not needed for Project Phase II purposes either, as di-

TRUST FUNDS

Fund	Principal Source	Use
Construction Fund (Section 3.03)	Bond Proceeds	Construction, and incidental expenses of bond issuance and delivery.
Revenue Fund (Section 4.01)	District Base Rental Payments	Transfers to Interest Fund; Principal Fund; Operation and Maintenance Fund, if needed; and Reserve Fund.
Interest Fund (Section 4.02(a))	Transfers from Revenue Fund	Bond interest payments.
Principal Fund (Section 4.02(b))	Transfers from Revenue Fund	Bond principal payments.
Operation and Maintenance Fund (Section 4.02(c))	Transfers from Revenue Fund	To meet costs of operation and maintenance if at any time the Corporation shall operate and maintain the Project.
Reserve Fund (Section 4.02(d))	Bond Proceeds and, if depleted, Revenue Fund	Bond principal and interest; payment of final maturities; payment for Project repairs or replacement; and transfers to Corporate Operation Fund, if needed.
Corporate Operation Fund (Section 4.03)	Bond Proceeds, District Additional Rental Payments, and transfers from Reserve Fund, if needed	Corporate operating expenses.

rected by the Corporation, to the Revenue Fund or to another Project Construction Account.

Revenue Fund. All base rental revenue shall be paid to the Trustee and deposited by the Trustee to the credit of the Revenue Fund. Moneys in the Revenue Fund shall be disbursed, applied, or set aside by the Trustee in the following order of priority:

(1) *Interest Fund.* Commencing on or before October 31, 1977, and on or before April 30 and October 31 of each year thereafter an amount equal to the aggregate half-yearly amount of interest becoming due and payable on the outstanding Bonds on the next succeeding interest payment date, less any available balances in said fund.

(2) *Principal Fund.* On or before each October 31, beginning October 31, 1977, an amount at least equal to one-half of the Bond principal payable on the next succeeding May 1, and on or before each April 30, beginning April 30, 1978,

an amount which, along with any balance on deposit, shall be at least equal to the principal payable on the next succeeding May 1.

(3) *Operation and Maintenance Fund.* If the Corporation shall at any time operate the Project, on or before each April 30 and each October 31 the Trustee shall deposit an amount needed to provide for payment of all costs of operation and maintenance during the next six months.

(4) *Reserve Fund.* Moneys in this Fund shall be used to pay bond principal and interest in the event no other funds are available, and moneys in this Fund in excess of one-half of maximum annual debt service may be used for the repair, reconstruction, or replacement of any damaged or destroyed portion of the Project or for the loss of rental income not insured against because of the thirty-day deductible amount. Excess balances in this Fund shall be used to the extent needed to increase the balance in the Corporate Operation Fund to the amount required to be on deposit in said Fund and any remaining excess amounts shall

be paid to the District, unless needed to be held for subsequent debt service.

Moneys in the Reserve Fund, Principal Fund, and Interest Fund may be used by the Trustee to reimburse the District for any rental payable under the Facility Lease for a period during which rent is abated and for which no other moneys (including proceeds of the rental interruption or use and occupancy insurance) are available.

Corporate Operation Fund. The Trustee shall deposit in the Corporate Operation Fund from time to time all amounts received in the form of additional rent sufficient to maintain a balance of \$10,000, said moneys to be used to pay all administrative costs of the Corporation.

Investment of Funds. Any moneys in any of the funds (except the Operation and Maintenance Fund) may be invested in time deposits including certificates of deposit of banks or in Federal securities (as defined in the Indenture), subject to limitations as set forth in the Indenture.

Moneys in the Revenue Fund may be invested in obligations which will mature within six months from the date of investment. Moneys in the Interest Fund and in the Principal Fund may be invested in obligations which will, as nearly as practicable, mature on or before the respective semiannual interest payment dates or annual Bond maturity.

Moneys in the Construction Fund and the Corporate Operation Fund may be invested in obligations which will mature within one year from the date of investment. One-half of the moneys in the Reserve Fund may be invested in obligations which will mature within ten years from the date of investment, and one-half in obligations which will mature within twenty years from the date of investment.

All interest earned on any such investment shall become part of the fund used to make such investments, except that such interest earnings received or accrued on Interest Fund and Reserve Fund moneys during construction of the Project shall be transferred to the Project Construction Account.

Additional Series of Bonds. Although the Corporation does not plan, at this time, to issue additional series of Bonds, Section 3.04 of the Indenture permits the issuance of one or more additional series

of parity bonds by supplemental indenture(s) subject to, among other things, the following conditions:

(1) The Corporation shall not be in default under provisions of the Indenture;

(2) The supplemental indenture shall require that the additional series of bonds will be issued for the purposes of acquiring or constructing additional public school facilities for the District, or the making of additions, improvements, or extensions to the Project;

(3) The additional series of bonds shall have no priority over the Bonds;

(4) The Corporation must enter into a new or amended Facility Lease with the District in which the District obligates itself to increase the base rental under all Facility Leases in amounts sufficient to provide for the payment of the principal of and interest on the additional series of bonds when due;

(5) Provision must be made to increase the Reserve Fund to an amount equal to at least the maximum annual bond service on all series of bonds to be outstanding thereafter.

Additional series of parity bonds may also be issued with the consent of the holders of 60 percent of outstanding bonds without compliance with the above conditions.

Title Insurance. A policy of title insurance insuring either the leasehold interest title of the Corporation in the real property described in the Site Lease or the title of the District in such real property will be provided at or prior to delivery of the Series of 1980 Bonds. Said policy will be enforceable for the benefit of the bondholders in the principal amount of the Series 1980 Bonds.

Fire and Extended Coverage Insurance. While any of the Bonds are outstanding, the Corporation shall cause to be maintained insurance against loss or damage to any structures constituting part of the Project by fire and lightning with extended coverage and vandalism and malicious mischief insurance. Such insurance shall either (1) be in an amount equal to the replacement cost of the structures subject to deductible clauses of not to exceed the lesser of \$100,000 or the excess of the available moneys in the Reserve Fund above one-half of maximum

annual debt service for any one loss, or (2) be in an amount and in form sufficient to enable the Corporation (together with moneys in the Reserve Fund) either to retire all Bonds then outstanding or to restore the structures to the condition existing before such loss.

Earthquake Insurance. Upon completion of any part of the Project, the Corporation shall procure and maintain earthquake insurance in an amount equal to the replacement cost of the structures, provided coverage is available on the open market from reputable insurance companies. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. (The construction contract documents provide that the Corporation shall provide earthquake insurance, subject to a 3% deductible, during construction.) Alternatively, the Corporation may provide earthquake insurance in an amount and form sufficient to enable the Corporation (together with moneys in the Reserve Fund) either to retire all Bonds then outstanding or to restore the structures to the condition existing before such loss.

Use and Occupancy Insurance. While any of the Bonds are outstanding, the Corporation shall cause to be maintained use and occupancy or rental interruption insurance to cover total or partial loss of rental income from any structure constituting the Project facilities resulting from damages discussed in the "Fire and Extended Coverage Insurance" and "Earthquake Insurance" paragraphs above in an amount sufficient to pay the total rental due for the period of time allowed for the construction of the structures by the construction contractors plus three months subject to a deductible clause of thirty days, except that such insurance need be maintained as to the peril of earthquake only following completion of construction and only if available on the open market from reputable insurance companies.

Public Liability Insurance. While any of the Bonds are outstanding the Corporation shall cause to be maintained public liability insurance. Minimum liability limits for such insurance are \$1,000,000 for personal injury or death of one person; \$3,000,000 for personal injury or death of two or more persons in each event; and \$200,000 subject to a deductible clause not to exceed \$5,000, for property damage from each event. Such public

liability and property damage insurance may however be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained in conjunction with any other liability insurance carried by the District.

Eminent Domain. If all or any part of the trust estate shall be taken by eminent domain proceedings, or sold under threat thereof, the proceeds therefrom shall be deposited with the Trustee and applied and disbursed as follows: (a) to be treated as revenues of the Project if the Project's operation has not been materially affected or the Corporation's ability to meet its obligations has not been impaired; or the proceeds shall be used if needed for repair or rehabilitation of the Project; (b) to be used to redeem Bonds if less than all of the Project shall have been taken by eminent domain and if the Project's operation has been materially affected, or the Corporation's ability to meet its obligations has been impaired; and (c) if all of the Project shall have been taken by eminent domain, the proceeds therefrom and any other available monies shall be used to redeem Bonds. If said monies are insufficient the Trustee shall apply the proceeds to meet the Trustee's costs of litigation and administration of its trusts under the Indenture, and then to payment of bond principal and interest in full or ratably without preference or priority.

Non-Liability of Individuals. No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or otherwise in respect thereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, member, director or officer, as such, past, present or future, of the Corporation or of any predecessor or successor corporation, either directly or through the Corporation or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Bonds and as part of the consideration for the issue thereof expressly waived and released, as provided in the Indenture.

Additional Covenants. The Indenture contains other covenants, including but not limited to, the following whereby the Corporation agrees to:

(1) Punctually pay the principal and interest on the Bonds as they become due;

(2) Promptly collect all rents and charges due for the occupancy or use of the Project and to enforce its rights against any tenant who does not pay such rents and charges as they become due;

(3) Maintain, or cause to be maintained, proper books of record and account;

(4) Maintain, or cause to be maintained, in good condition and repair the Project facilities;

(5) Construct and complete Project Phase II in conformity with the construction contract (under the construction contract 100% performance bonds and 100% labor and materialmen's bonds will be required of the contractor);

(6) Pay, discharge, or contest any taxes, assessments, or other charges upon the Project or the revenues.

Remedies on Default. In the event of default, the Trustee may, and upon the written request of holders of not less than 25 percent of the principal amount of Bonds outstanding, shall, by notice in writing to the Corporation, declare and cause the principal of all of the outstanding Bonds and the interest accrued thereon to be due and payable immediately.

Events of default by the Corporation are defined by the Indenture to include:

1. Failure to pay principal, interest or redemption premium on Bonds when due.

2. Failure to perform or observe covenants, agreements, or conditions in the Indenture or in the Bonds for a period of sixty days after notice thereof is given to the Corporation.

3. Termination of the corporate existence of the Corporation.

4. Admission by the Corporation that it is unable to pay its debts, or certain other acts of bankruptcy or insolvency of the Corporation.

5. If under the provisions of any bankruptcy law, a court appoints a receiver or assumes

custody or control of the Corporation or a substantial part of its property, or approves a petition seeking reorganization of the Corporation, failure of the Corporation to terminate or stay such order, judgment or decree, or custody or control within sixty days.

If one or more events of default continue, the Trustee may, in its discretion, and upon the written request of the holders of not less than a majority of the principal amount of Bonds outstanding, and upon being indemnified to its satisfaction, shall proceed with any of the following remedies: enter and take possession of the trust estate, institute legal proceedings by a suit in equity or action at law, or sell the trust estate. The holders of a majority of the bonds outstanding have the right to direct the time, method, and place of conducting any remedy, or to exercise any trust or power conferred upon the Trustee under the Indenture. In the event of sale of the trust estate, all of the Bonds shall become due and payable, if not already declared due and payable.

For a more complete discussion of bondholder and trustee powers in the event of default, reference is made to the Indenture.

The foregoing summary discussion of selected provisions of the Indenture and the First Supplemental Indenture is made subject to all of the provisions of the Indenture and the First Supplemental Indenture. The foregoing summary discussion does not purport to be a complete statement of such provisions. For full details, prospective purchasers of the Series of 1980 Bonds are referred to the complete text of the Indenture and the First Supplemental Indenture which are available upon request to Stone & Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017.

Estimated Annual Bond Service

Table 1 shows the annual debt service requirements for the Series of 1980 Bonds, based upon an estimated interest rate of nine percent, together with the actual bond service requirements for the Corporation's Series of 1976 Bonds.

Table I

CARLSBAD UNIFIED SCHOOL DISTRICT EDUCATIONAL FACILITIES CORPORATION

\$1,420,000 Series of 1980 Bonds and Series of 1976 Bonds

Estimated Annual Bond Service

Year Ending May 1	Series of 1980 Bonds			Estimated Annual Bond Service	Actual Debt Service on Series of 1976 Bonds	Estimated Aggregate Annual Bond Service
	Bonds Outstanding	Interest Estimated at 9%	Principal Maturing			
1981	\$1,420,000	\$ 138,450 ^①	\$ —	\$ 138,450	\$ 101,650	\$ 240,100
1982	1,420,000	127,800	25,000	152,800	99,650	252,450
1983	1,395,000	125,550	25,000	150,550	102,650	253,200
1984	1,370,000	123,300	30,000	153,300	100,250	253,550
1985	1,340,000	120,600	30,000	150,600	102,850	253,450
1986	1,310,000	117,900	35,000	152,900	100,540	253,440
1987	1,275,000	114,750	35,000	149,750	103,440	253,190
1988	1,240,000	111,600	40,000	151,600	101,040	252,640
1989	1,200,000	108,000	40,000	148,000	103,600	251,600
1990	1,160,000	104,400	45,000	149,400	105,810	255,210
1991	1,115,000	100,350	50,000	150,350	107,660	258,010
1992	1,065,000	95,850	55,000	150,850	109,140	259,990
1993	1,010,000	90,900	60,000	150,900	110,240	261,140
1994	950,000	85,500	65,000	150,500	110,950	261,450
1995	885,000	79,650	70,000	149,650	111,330	260,980
1996	815,000	73,350	75,000	148,350	111,305	259,655
1997	740,000	66,600	80,000	146,600	110,945	257,545
1998	660,000	59,400	90,000	149,400	110,250	259,650
1999	570,000	51,300	95,000	146,300	114,175	260,475
2000	475,000	42,750	105,000	147,750	117,425	265,175
2001	370,000	33,300	115,000	148,300	—	148,300
2002	255,000	22,950	120,000	142,950	—	142,950
2003	135,000	12,150	135,000	147,150	—	147,150
Totals		\$2,006,400	\$1,420,000	\$3,426,400	\$2,134,900	\$5,561,300

① Interest for 13 months funded from bond proceeds.

THE PROJECT

Proposed Facilities

Proceeds from the sale of the \$1,420,000 Series of 1980 Bonds will be used, together with other funds of the Corporation and the District, to construct a little theatre-auditorium building at Carlsbad High School ("Project Phase II"). Project Phase I facilities consisted of additions and improvements to Carlsbad High School, Pine Elementary School and Valley Junior High School which were primarily financed from the proceeds received from the sale of \$1,210,000 Series of 1976 Bonds.

Project Phase II does not include the carpeting, fixed seating, theatre equipment, landscaping or irrigation system improvements appurtenant to the little theatre-auditorium complex. Such facilities will be constructed by the Corporation pursuant to the Equipment Lease discussed on page 6 of this Official Statement.

Project Implementation

On January 16, 1980, the Corporation received sealed competitive bids for construction of the little theatre-auditorium building. The low bid was submitted by Raymond A. Whitwer of San Diego, California in the amount of \$1,293,500 (base bid plus additive alternate no. 1). Additional bids were received for the carpeting, fixed seating, theatre equipment, landscaping and irrigation improvements to be acquired and constructed by the Corporation and leased to the District pursuant to the Equipment Lease.

Upon delivery of the Series of 1980 Bonds, the Corporation will enter into construction contracts with Raymond A. Whitwer and the contractors providing the improvements to be constructed pursuant to the Equipment Lease.

The Office of the State Architect has approved the plans and specifications for the Project Phase II facilities and has certified their conformance to fire, safety, and earthquake structural safety standards. Completion of all facilities is expected by April 30, 1981. Table 2 shows the estimated costs and sources of funds for the Project Phase II and the improvements to be included in the Equipment Lease.

A labor and materials bond of 100% of the contract amount and a performance bond of 100% of the contract amount is required of each contractor. The Corporation is required by the construction contract documents to carry fire, lightning, vandal-

ism, malicious mischief, and extended coverage, public liability and property damage, and workmen's compensation insurance during the construction period and until the buildings have been accepted by the District and the Corporation. The Corporation

is also required to maintain earthquake insurance during the construction period, against loss or damage by earthquake in an amount not less than the full insurable value of the properties, subject to a 3% deductible clause for any loss.

Table 2

**CARLSBAD UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION**

Project Phase II and Equipment

Estimated Costs and Sources of Funds

Estimated Costs

Construction of Project Phase II	\$1,293,500
Carpeting	9,095 ①
Fixed seating	32,250 ①
Theatre equipment	131,498 ①
Landscaping and irrigation	25,852 ①
Design, inspection, testing and miscellaneous	191,800 ②
Construction contingencies	38,050 ②
Funded interest	138,450 ③
Reserve Fund	153,300
Costs of bond issuance	45,000
Total Costs	<u>\$2,058,795</u>

Sources of Funds

Bond proceeds	\$1,420,000
Interest earnings during construction	65,450
Equipment lease rental	198,695 ④
Other pre-lease tax levy monies	230,100
Transfer from Project A Construction Account	123,260 ⑤
District transfer to Corporation	21,290 ⑥
Total Funds	<u>\$2,058,795</u>

① To be constructed by the Corporation pursuant to the Equipment Lease.

② To be financed by the District.

③ Thirteen months' interest estimated at nine percent per annum.

④ Funds to be derived from pre-lease tax levy and District transfer to Corporation.

⑤ The Corporation's Trustee, United California Bank, reported that the Project A Construction Account had an unencumbered balance of \$123,260 on February 14, 1980.

⑥ The exact amount of the District's transfer to the Corporation will be determined following the sale of the Series of 1980 Bonds. The estimate shown assumes that interest at the rate of nine percent per annum will be payable on the Series of 1980 Bonds.

Source: District staff.

DISTRICT ORGANIZATION AND FINANCIAL DATA

The information contained herein concerning the Carlsbad Unified School District is included because the District is the proposed lessee of the project which is to be financed with the proceeds of the Series of 1980 Bonds. However, the Series of 1980 Bonds are bonds of the Corporation and are not a debt or obligation of the District.

The District provides elementary and secondary school educational services to residents of a 32.2 square-mile area in northwestern San Diego County which includes most of the City of Carlsbad, a small portion of the City of Oceanside, and certain unincorporated areas. The District has operated as a unified school district under the laws of the State of California since its formation on July 1, 1971, at which time all of the former Carlsbad Union School District and part of the former Oceanside-Carlsbad Union High School District were consolidated to form the present District. The District is governed by an independent Board of Trustees of five members who are elected at large to overlapping four-year terms at elections held every two years. The Superintendent, who is appointed by the Board of Trustees, administers the District's affairs in accordance with policies of the Board of Trustees. The present superintendent, Mr. Robert A. Crawford, has served the District in this capacity since July 1, 1974. Mr. Crawford has had more than 18 years of professional experience in public education and administration.

Facilities and Attendance

The District's facilities include four elementary schools, plus a junior high school, senior high school and continuation school. The District's total 1979/80 budget, which exceeds \$10,140,000, provides for the employment of 13 administrative, 229 certificated, 78 full-time classified and 182 part-time classified employees. Enrollment in District schools as of February 13, 1980 was 4,286. District assessed valuations, average daily attendance, and assessed valuation per student in average daily attendance for the five most recent complete school years, 1974/75 through 1978/79, are shown in the tabulation on the following page.

These data indicate the District's assessed valuation increased approximately 82.7 percent and assessed valuation per unit of average daily attendance increased approximately 86.3 percent over this

CARLSBAD UNIFIED SCHOOL DISTRICT

Assessed Valuation and Average Daily Attendance

Fiscal Year	Assessed Valuation ^①	Average Daily Attendance			Assessed Valuation Per Unit Average Daily Attendance
		Fall and Spring Terms	Summer School	Total	
1974/75	\$116,096,177	4,028	259	4,287	\$27,081
1975/76	139,872,909	4,134	222	4,356	32,110
1976/77	146,705,189	4,217	319	4,536	32,342
1977/78	181,631,499	4,183	509	4,692	38,711
1978/79	212,141,069	4,205	— ^②	4,205 ^③	50,450

① Includes reimbursable exemptions.

② Summer session classes were eliminated following the adoption of Article XIII A of the State Constitution.

③ Estimate by District staff.

Sources: San Diego County Auditor and Controller (Assessed Valuations), and Carlsbad Unified School District (Average Daily Attendance).

five-year period. Average daily attendance, estimated at 4,205, in 1978/79, reflects a 10.3 percent decline from 1977/78 due to the elimination of the District's summer school program following the enactment of Article XIII A of the State Constitution.

Assessed Valuations

Property within the Carlsbad Unified School District is assessed by the San Diego County Assessor, except for utility property which is assessed by the State Board of Equalization. Assessed values are equal to 25 percent of full cash values, as defined by Article XIII A of the State Constitution. Effective July 1, 1981, assessed values will be shown as 100% of full cash values, as defined by Article XIII A of the State Constitution, and tax rates will be correspondingly reduced to reflect this change. However, no increase or decrease in the total tax levy will result from this change in assessment procedures.

Since the 1978/79 fiscal year, Article XIII A of the State Constitution has required that full cash values

be based on 1975/76 values, except for newly constructed properties or properties which undergo a change in ownership. The value of these properties is to be based on their worth as of the date of construction or the date that ownership changes. The base values may be increased by up to two percent per year to reflect inflation and may be decreased to reflect a decline in worth.

California law provides for two types of exemptions which do not result in any loss of revenues by local agencies since an amount equivalent to the taxes which would have been paid on such exempt properties is made up by the State. One exempts \$1,750 of the assessed valuation of owner-occupied dwellings. The other exempts 50 percent of the assessed valuation of business inventories from taxation.

The tabulation at the top of page 27 shows the 1979/80 assessed valuation of the Carlsbad Unified School District before and after giving effect to the exemptions.

CARLSBAD UNIFIED SCHOOL DISTRICT**1979/80 Assessed Valuation**

Tax Roll	Taxable Assessed Valuation	Homeowner Exemptions	Business Inventory Exemptions	Assessed Valuation for Revenue Purposes
Local Secured	\$172,425,215	\$ 8,563,100	\$ 1,865,863	\$182,854,178
Unsecured	10,653,378	—	3,441,906	14,095,284
Utility	60,602,380	—	—	60,602,380
Total	\$243,680,973	\$ 8,563,100	\$ 5,307,769	\$257,551,842

Source: San Diego County Auditor and Controller.

The tabulation at the bottom of the page consists of a five-year summary of the assessed valuation of the District before deduction of the homeowners' and business inventory exemptions. It can be noted that the District's assessed valuation increased nearly 16.8 percent over the prior fiscal year in 1978/79 and more than 21.4 percent in 1979/80 despite the limitations imposed by Article XIII A of the State Constitution.

Future Exemptions and Reimbursements

Commencing with the 1980/81 fiscal year all business inventories will be exempt from taxation (rather than 50 percent as at present). The present tax of one tenth of one percent of the value of baled cotton will also be removed. The State will

reimburse local agencies for the revenue lost as a result, to the extent that such loss results from the \$4.00 per \$100 assessed valuation tax rate. There will be no reimbursement for losses resulting from elimination of the business inventory tax on the voted tax overrides.

For the 1980/81 fiscal year the reimbursement will be twice the amount that would have been allocated for the 1979/80 fiscal year if the reimbursement for the inventory exemption had been predicated on the agency's share of the proceeds from the county-wide tax rate of four dollars per \$100 of assessed valuation.

In succeeding years the reimbursement to school districts will be adjusted according to the changes in average daily attendance and the consumer price index.

CARLSBAD UNIFIED SCHOOL DISTRICT**Assessed Valuations by Tax Roll**

Tax Roll	1975/76	1976/77	1977/78	1978/79	1979/80
Local Secured	\$104,031,833	\$107,947,320	\$132,821,630	\$148,824,316	\$182,854,178
Unsecured	6,434,516	8,509,649	10,354,579	12,106,783	14,095,284
Utility	29,406,560	30,248,220	38,455,290	51,209,970	60,602,380
Total	\$139,872,909	\$146,705,189	\$181,631,499	\$212,141,069	\$257,551,842

Source: San Diego County Auditor and Controller.

Tax Rates

Article XIII A of the California Constitution limits any ad valorem tax on real property to one percent of the full cash value of such property, beginning in 1978/79; however this limitation is not applicable to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by voters prior to the effective date of Article XIII A of the California Constitution (July 1, 1978).

The District's total property tax rate for 1979/80 is \$0.206 per \$100 assessed valuation consisting of \$0.098 for bond interest and redemption, and \$0.108 for long-term leasing of school facilities.

The tabulation below shows the District's property tax rates over the five-year period 1975/76 through 1979/80. These data are presented for historical comparisons with reference only to the time period of the years shown inasmuch as the passage of Proposition 13, now Article XIII A of the California Constitution, and implementing legislation adopted by the state legislature eliminates the utilization of separate public agency tax rates for the apportionment of property taxes. Because of legislation adopted by the state legislature to implement Article XIII A of the California Constitution, the bulk of local revenues generated by property taxes prior to 1978/79 have been replaced by state apportionments and appropriations in the 1978/79 and 1979/80 fiscal years.

Tax Code Area 9000 (1979/80 taxable assessed valuation of \$147,614,340) represents 61 percent of the District's 1979/80 taxable assessed valuation.

Total tax rates per \$100 assessed valuation in this Tax Code Area for the past five fiscal years are shown in the tabulation at the top of the facing page.

Tax Levies, Collections and Delinquencies

Carlsbad Unified School District taxes appear on the same tax bill as County taxes. Secured taxes are payable in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Taxes on properties appearing on the unsecured roll are assessed on March 1 and become delinquent the following August 31.

The tabulation at the bottom of page 29 summarizes the general purpose secured tax levies and the amount and percentage of the levy delinquent as of June 30 for the past five fiscal years. The tabulation also lists the total collections in each of the last five fiscal years.

Major Taxpayers

The largest taxpayer in the District is the San Diego Gas and Electric Company, whose Encina Power Plant has a 1979/80 assessed valuation of \$52,681,480. This represents nearly 22 percent of the District's total taxable assessed valuation. The Plaza Camino Real Shopping Center, with five major department stores and over 100 supporting establishments, represents a significant share of District assessed valuation, although the exact amount is not available.

CARLSBAD UNIFIED SCHOOL DISTRICT

Five-Year Summary of Tax Rates

	1975/76	1976/77	1977/78	1978/79	1979/80
General and Other Categorical	\$3.916	\$4.200	\$3.641	\$ —	\$ —
Bond Interest and Redemption227	.213	.148	.144	.098
Lease-Rental Payments098	.086	.080	.104	.108
Total	\$4.241	\$4.499	\$3.869	\$.248	\$.206

Source: Carlsbad Unified School District.

TAX CODE AREA 9000

Tax Rates Per \$100 Assessed Valuation

Entity or Purpose	1975/76	1976/77	1977/78	1978/79	1979/80
County-wide rate ^①	\$ —	\$ —	\$ —	\$ 4.000	\$ 4.000
San Diego County	2.621	2.282	1.825	—	(0.061) ^②
City of Carlsbad	1.930	1.900	1.850	0.080	0.060
Carlsbad Unified School District	4.112	4.286	3 721	0.248	0.206
Other Educational Purposes	0.990	1.036	1.261	0.021	0.023
Special Districts	0.878	0.840	0.785	0.269	0.219
Total Tax Rate	\$10.531	\$10.344	\$ 9.442	\$ 4.618	\$ 4.447

① Maximum rate for purposes other than paying debt service under Article XIII A of the State Constitution.

② County general tax reduction.

Source: San Diego County Auditor and Controller.

The San Diego County Assessor has analyzed taxable parcels in the City of Carlsbad by land use categories and the corresponding estimated market values as of July 1979. On the local secured roll, aggregate market values are \$988,685,000, an increase of 30.6 percent over comparable 1978 figures. Component values included the following: residential, \$800,228,000; commercial, \$86,166,000; industrial, \$38,310,000; and all others, \$63,981,000. The utility roll, assessed by the State Board of Equalization as of March 1, 1979 had a total assessed valua-

tion of \$60,602,380 and a market value of \$242,409,520.

Combining secured values developed by the County Assessor and the State Board of Equalization, and putting both on a full market value basis for comparability, total secured values for 1979/80 in the City of Carlsbad amount to an estimated \$1,231,095,000. Residential parcels, in the aggregate, account for approximately 65 percent of this total, representing the bulk of secured tax revenue to the city.

CARLSBAD UNIFIED SCHOOL DISTRICT

Secured Tax Levies and Tax Delinquency

Fiscal Year	Secured Tax Levy ^①	Amount Delinquent June 30	Percent Delinquent June 30	Total Collections June 30 ^②	Percent Collected ^③
1974/75	\$4,152,299	\$ 154,396	3.72%	\$4,113,425	99.06%
1975/76	5,045,773	375,434	7.44	4,798,393	95.10
1976/77	5,565,685	239,467	4.30	5,537,743	99.50
1977/78	6,066,610	421,983	6.96	5,711,631	94.15
1978/79	2,733,687	81,079	2.97	2,799,201	102.40

① Opening charge (unadjusted).

② Includes apportionments for prior years, as reported by the County Superintendent of Schools.

③ Percent of current year's secured tax levy.

Source: San Diego County Auditor and Controller.

1979/80 General Fund Budget

Table 3 presents the District's 1979/80 General Fund Budget, per Form J-41 of the California State Department of Education, adopted by the District's Board of Trustees on September 5, 1979. Actual data for the 1978/79 fiscal year, as reported in Form J-41, are also shown.

General Fund Revenues, Expenditures and Fund Balances

Table 4, which appears on the following page, consists of a five-year summary of General Fund income, expenditures and fund balances for the Carlsbad Unified School District as reported in annual District audit reports.

Table 3

CARLSBAD UNIFIED SCHOOL DISTRICT

1979/80 General Fund Budget

	1978/79 Actual	1979/80 Budget
Beginning Balance	\$ 653,143	\$ 1,106,015
Revenues		
Federal Income	\$ 412,206	\$ 441,604
State Income	4,573,108	5,150,629
County Income	45,927	26,943
Property Taxes	3,281,911	2,961,408
Other Local Income	213,224	104,627
Incoming Transfers	270,000	399,488
Total Income	\$ 8,796,376	\$ 9,084,699
Total Revenues Available	\$ 9,449,519	\$10,190,714
Expenditures		
Certificated Salaries	\$ 4,444,496	\$ 5,099,442
Classified Salaries	1,215,616	1,447,299
Employee Benefits	875,459	1,033,217
Books, Supplies and Equipment Replacement	488,218	440,581
Contracted Services and Other Operating Expenses	718,688	1,023,887
Sites, Buildings, Books and Media, and Equipment	491,285	551,402
State School Building Loan Repayment, Tuition, and Interfund Transfers	109,742	97,500
Appropriation for Contingencies	—	447,386
Total Expenditures, Other Outgo, and Appropriation for Contingencies	\$ 8,343,504	\$10,140,714
Ending Balance, June 30	\$ 1,106,015	\$ 50,000

Source: Form J-41, adopted by the District's Board of Trustees on September 5, 1979.

Table 4**CARLSBAD UNIFIED SCHOOL DISTRICT****Summary of General Fund Revenues, Expenditures and Fund Balances**

	1974/75	1975/76	1976/77	1977/78	1978/79
Beginning Balance, July 1	\$1,015,542	\$ 276,676	\$ 238,763	\$ 1,032,996	\$ 383,939
Adjustments to Beginning Balance	14,732	82,994	94,284	204,181	269,204
Adjusted Beginning Balance	\$1,030,274	\$ 359,670	\$ 333,047	\$ 1,237,177	\$ 653,143
Revenues:					
Federal Income	\$ 268,654	\$ 243,951	\$ 309,709	\$ 309,270	\$ 412,206
State Income	1,201,212	1,269,330	1,472,989	1,636,564	4,573,108
County Income	82,467	120,581	114,975	143,568	45,927
Property Taxes	4,242,347	5,112,773	5,915,705	6,119,591	3,281,911
Other Local Income	145,618	67,890	246,571	415,170	213,224
Incoming Transfers and Tuition	65,583	114,750	134,565	265,161	270,000
Subtotal	\$6,005,881	\$6,929,275	\$8,194,514	\$ 8,889,324	\$8,796,376
Total Funds Available	\$7,036,155	\$7,288,945	\$8,527,561	\$10,126,501	\$9,449,519
Expenditures:					
Certificated Salaries	\$3,809,944	\$4,113,031	\$4,338,153	\$ 4,706,551	\$4,444,496
Classified Salaries	1,303,478	1,328,879	1,327,767	1,517,818	1,215,616
Employee Benefits	552,244	629,170	726,070	817,996	875,459
Books, Supplies, Equipment Replacement	499,362	424,600	486,421	561,040	488,218
Contracted Services and Other Operating Expenses	297,802	317,345	450,361	796,439	1,209,973
Capital Outlay	245,221	100,057	157,654	426,791	—
Debt Service, State School Building Fund	41,928	—	—	—	69,742
Outgoing Transfers, Tuition	9,500	13,200	—	—	5,000
Interfund Transfers and Other Out-go ...	—	123,900	8,139	915,927	35,000
Total	\$6,759,479	\$7,050,182	\$7,494,565	\$ 9,742,562	\$8,343,504
Ending Balance, June 30	\$ 276,676	\$ 238,763	\$1,032,996	\$ 383,939	\$1,106,015

Source: District audit reports for individual years.

Balance Sheets

Table 5 shows a comparison of the District's assets, liabilities and fund balances as of June 30, 1978 and 1979, as reported in the annual financial statements certified by the District's independent auditors.

Fund Balances

A summary of the District's fund balances as of June 30 for each of the past five years appears in Table 6. The summary was derived from annual reports prepared by the District's certified public accountants.

Table 5

CARLSBAD UNIFIED SCHOOL DISTRICT

Combined Balance Sheets^①

June 30, 1978 and 1979

	June 30, 1978					
	General Fund	Public Works Capital Development Fund	Bond Interest and Redemption Fund	State School Building Fund	Cafeteria Fund	General Long-Term Debt
ASSETS						
Cash in County Treasury and Banks	\$ 384,019	\$ 944,739	\$ 176,264	\$ 719	\$ 3,276	\$ —
Revolving Cash Fund	2,500	—	—	—	—	—
Accounts Receivable	190,086	—	—	—	51,284	—
Stores Inventory	—	—	—	—	15,488	—
Amount to be provided for Retirement of General Long-Term Debt	—	—	—	—	—	2,201,000
Amount to be provided for State School Building Fund ...	—	—	—	—	—	482,675
Total Assets	<u>\$ 576,605</u>	<u>\$ 944,739</u>	<u>\$ 176,264</u>	<u>\$ 719</u>	<u>\$ 70,048</u>	<u>\$2,683,675</u>
LIABILITIES AND FUND BALANCES						
Accounts Payable	\$ 78,931	\$ 181,425	\$ —	\$ —	\$ 250	\$ —
Accrued Salaries	113,735	—	—	—	37,636	—
General Obligation Bonds Payable	—	—	—	—	—	—
State School Building Loans Payable	—	—	—	—	—	—
Total Liabilities	<u>\$ 192,666</u>	<u>\$ 181,425</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37,886</u>	<u>\$ —</u>
Fund Balances:						
Restricted to Special Purposes ..	—	763,314	176,264	719	—	2,683,675
Available for General Purposes ..	383,939	—	—	—	32,162	—
Total Liabilities and Fund Balances	<u>\$ 576,605</u>	<u>\$ 944,739</u>	<u>\$ 176,264</u>	<u>\$ 719</u>	<u>\$ 70,048</u>	<u>\$2,683,675</u>

① Excludes certain fiduciary funds with total assets as follows at June 30, 1978 and 1979; A.S.B. Fund, \$8,609 and \$22,337; Collection Advice Fund, \$685 and \$1,159; and Outdoor Education Fund, \$2 and \$2.

Source: District audit reports for individual years.

June 30, 1979

	General Fund	Public Works Capital Development Fund	Bond Interest and Redemption Fund	State School Building Fund	Cafeteria Fund	General Long-Term Debt
ASSETS						
Cash in County Treasury and Banks	\$ 934,167	\$ 411,970	\$ 190,646	\$ 791	\$ 18,276	\$ —
Revolving Cash Fund	2,500	—	—	—	—	—
Accounts Receivable	350,341	—	—	—	45,074	—
Stores Inventory	—	—	—	—	12,712	—
Amount to be provided for Retirement of General Long-Term Debt	—	—	—	—	—	1,991,917
Amount to be provided for State School Building Fund ...	—	—	—	—	—	467,564
Total Assets	<u>\$1,287,008</u>	<u>\$ 411,970</u>	<u>\$ 190,646</u>	<u>\$ 791</u>	<u>\$ 76,062</u>	<u>\$2,459,481</u>
LIABILITIES AND FUND BALANCES						
Accounts Payable	\$ 180,993	\$ 81,984	\$ —	\$ —	\$ 28,564	\$ —
Accrued Salaries	—	—	—	—	—	—
General Obligation Bonds Payable	—	—	—	—	—	1,991,917
State School Building Loans Payable	—	—	—	—	—	467,564
Total Liabilities	<u>\$ 180,993</u>	<u>\$ 81,984</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 28,564</u>	<u>\$2,459,481</u>
Fund Balances:						
Restricted to Special Purposes ..	—	—	190,646	791	—	—
Available for General Purposes	<u>1,106,015</u>	<u>329,986</u>	<u>—</u>	<u>—</u>	<u>47,498</u>	<u>—</u>
Total Liabilities and Fund Balances	<u>\$1,287,008</u>	<u>\$ 411,970</u>	<u>\$ 190,646</u>	<u>\$ 791</u>	<u>\$ 76,062</u>	<u>\$2,459,481</u>

Table 6**CARLSBAD UNIFIED SCHOOL DISTRICT****Fund Balances as of June 30**

Name of Fund ^①	1974/75	1975/76	1976/77	1977/78	1978/79
General Fund	\$ 276,676	\$ 238,763	\$1,032,996	\$ 383,939	\$1,106,015
Public Works/Capital Development Fund	—	—	—	763,314	329,986
Bond Interest and Redemption Fund	190,785	195,335	208,555	176,264	190,646
State School Building Fund	132,992	2,975	(9,231)	719	791
Cafeteria Fund	47,955	52,413	52,554	32,162	47,498

① Excludes certain fiduciary funds, with June 30, 1979 balances as follows: A.S.B. Fund, \$10,037; Collection Advice Fund, \$1,159; Outdoor Education Fund, \$2.

Source: District audit reports for individual years.

Lease Obligations

The District is obligated to pay the Corporation a semi-annual lease payment of \$53,058 through April 15, 2000 for the use of facilities financed with the proceeds received from the sale of Series of 1976 Bonds.

The District has annually renewable leases with Xerox Corporation and Kodak, in the amounts of \$5,500 and \$7,500 per year, respectively, for office copier equipment.

A central data processing unit is being provided to the District by IBM on a lease with option to purchase basis. The five-year lease expires in August 1983, and calls for the payment of \$1,550 per month. Seventy-five percent of each lease payment is credited towards the purchase price of the central processing unit which the District can purchase for a sum ranging between \$18,000 and \$20,000 at the termination of the lease. The exact purchase price is dependent upon actual modifications to the equipment.

Employer-Employee Relations

Teaching personnel of the Carlsbad Unified School District are members of the recognized professional

organization of the Carlsbad Unified Teachers Association (an affiliate of the California Teachers Association and the National Education Association). The District's three-year contract with the Carlsbad Unified Teachers Association expires June 30, 1981.

Certificated supervisory employees are represented in labor negotiations by the Carlsbad Certificated Supervisory Association. A three-year contract between this organization and the District extends through June 30, 1981.

Classified employees are represented by the California School Employees Association whose three-year contract with the District expires June 30, 1980.

Effective July 1, 1976, provisions of the Rodda Act codified as Chapter 961 of the 1975 Statutes affects all school districts in California. In case of labor disputes, local grievance procedures may be operative (if established by contract), or both parties may agree to submit grievances to advisory arbitration pursuant to rules adopted by the Educational Employment Relations Board, which administers the Act. The Act's provision with respect to the rights, obligations, and unfair practices applicable to management and labor became effective April 1976.

Liability Insurance

A summary of the Carlsbad Unified School District's insurance coverage as of June 30, 1979 appears in the tabulation below.

Pension Plans

District employees are covered by one of or more of the following retirement systems: The State Teachers' Retirement System; The State Public Employees Retirement System; and/or the Federal Social Security System (Old Age Survivors, Disability, and Health Insurance).

The State of California Teachers' Retirement System (STRS) covers basically all full-time certificated employees. The District's contribution to STRS for fiscal year 1978/79 totaled \$345,786, which in-

cludes both current costs and backfunding. The District contribution to STRS in 1979/80 is budgeted at \$387,937.

The State of California Public Employees' Retirement System (PERS) covers all classified personnel who are employed at least 50 percent of the work week. The District's contribution to PERS for 1978/79 amounted to \$141,550, which includes both current costs and backfunding. The estimated District contribution to PERS during 1979/80 is \$151,210.

All classified employees participate in the Federal Social Security System for which the District paid \$74,368 in 1978/79. The District estimates that it will pay \$74,389 to the Social Security System during 1979/80.

CARLSBAD UNIFIED SCHOOL DISTRICT

Insurance Coverage as of June 30, 1979

Description	Policy Limits
Fire, Extended Coverage, Vandalism and Malicious Mischief on School Buildings and Equipment Covering All Locations, 90% Coinsurance and Agreed Valuation Clause	\$14,051,500
Legal Liability Covering Board Members and All School District Employees	2,000,000
Comprehensive Automobile and General Liability	500,000 per occurrence
Bodily Injury, Property Damage and Products	500,000 per occurrence
Uninsured Motorists	15,000/30,000
Physical Damage, \$100 Deductible	Actual Cash Value
Excess Liability, Bodily Injury, Property Damage and Products	3,000,000
Boiler Explosion, Each Occurrence	250,000
Honesty Bonds:	
Blanket Position	25,000
Personal Property of Teachers and Employees	500/500
Personal Property of Others	5,000
Freezer Contents	10,000
Earthquake Coverage	776,400
School Board Liability	1,000,000
Malpractice Liability	500,000

Source: District audit report.

The State Teachers' Retirement System (STRS) operates under provisions of the State Education Code. The System includes California public teachers from preschool through grade fourteen and certain other employees of the public school system. There were approximately 335,100 active and inactive members, 75,351 benefit recipients, and 1,149 participating agencies at June 30, 1978. Membership is mandatory for all certificated employees meeting the eligibility requirements.

The System is financed by earnings from investments and contributions from members, school districts, and the State of California, which pays \$144,300,000 annually to the year 2002, subject to annual legislative appropriation. Under present rules, members contribute eight percent of applicable earnings, and school districts contribute a percentage of applicable member earnings rising to eight percent beginning July 1, 1978. However, under legislation enacted in 1977, new increased rates, effective July 1, 1979, would result in total contributions of 21 percent of payroll after a five-year period. The employer rate would increase to 10 percent, and the State of California would contribute three percent, with the employee rate remaining at eight percent.

Actuarial valuations of the System are based upon the entry-age-normal cost method, which is a projected benefit cost method wherein level normal cost rates (contributions) are computed sufficient to fund benefits over the entire service life of members. The System's financial statements are prepared on the accrual basis of accounting.

At June 30, 1978, the total unfunded obligation of the System was \$10,904,000,000, as determined by the independent actuary. This includes the present value of future State contributions provided by the State Teachers' Retirement Law (\$1,643,000,000).

Chapter 282, Statutes of 1979 signed into law by the Governor on July 24, 1979 increases the State's contribution to the State Teachers' Retirement System in order to stabilize the ratio of unfunded liability to payroll. Additional State funds are to be provided by increasing the present \$144.3 million State payment annually by annual increases in the Consumers Price Index (CPI), and increasing the present State contribution up to \$280 million annually in 15 years. After the fifteenth year, the added State contribution is inflated by annual increases in the CPI. The scheduled increase in State contributions is as follows:

1980/81	\$ 10 million
1981/82	\$ 20 million
1982/83 - 1994/95	{ \$ 40 million
	} \$280 million ^①
1995/96 and thereafter	\$280 million
	plus CPI

① In annual increases of \$20 million per year.

Source: Legislature A.B. No. 8 Conference Committee Report Long Term Local Government and School Financing, July 19, 1979.

The State Teachers' Retirement System's actuary is Milliman & Robertson, Inc., of San Francisco, California; Investment Counsel for equities is Scudder, Stevens & Clark, San Francisco, California; Auditor is Coopers & Lybrand, Sacramento, California.

The State Public Employees' Retirement System (PERS) was originally established in 1931. As of June 30, 1978, there were 588,923 members of whom approximately 10% were classified as "safety" members (principally fire and police duties) and the balance were classified as "miscellaneous" members (management, administrative, staff, operational and clerical employees).

Approximately one-third of the members are state personnel and the balance are local public agency personnel. As of June 30, 1978, the System provided retirement, death and survivor benefits under 1,008 contracts for local public agency employers (cities, counties, school districts, special districts and other public bodies) with 399,614 members. The System's funding is by employer and employee contributions together with investment income. Contributions fluctuate yearly depending on the number of members and their respective salary schedules.

Total assets of the System at June 30, 1978 were \$10,155,891,520 according to the annual audit. Of this amount net assets of \$9,922,946,249 were available for benefits.

The annual contribution by employers for the 1977/78 fiscal year was \$869,084,148. The annual contribution by employees for the 1977/78 fiscal year was \$351,123,459.

The most recent actuarial valuation, performed by PERS, utilized census data as of June 30, 1977. The

total unfunded obligation of the System was determined to be \$7,544,156,734. The method used was entry-age-normal cost, which is a projected benefit cost method wherein level employer normal cost rates, considering present member contributions, are calculated at amounts sufficient to fund benefits over the entire service life of members.

Except for the pooling of certain miscellaneous public agency members, actuarial evaluations are performed for each participating employer, and the total accrued actuarial liability noted above is the sum of the individual employer accounts. According to the PERS annual report, public agency employer contribution rates set forth between each agency and PERS will meet all ongoing costs and fund the unfunded liability for each agency in accordance with the terms of each agency's contract.

The System's financial statements are prepared on an accrual basis of accounting and the System's auditor is Touche Ross & Co., San Francisco, California. Citicorp Investment Management, Inc., San Francisco, provides investment advisory services. The System's actuarial activities are conducted internally on a continuous basis, with an experience analysis being required no less than every four years under the Retirement Law.

Direct and Estimated Overlapping Bonded Debt

Upon the sale of the Series of 1980 Bonds currently offered, the Carlsbad Unified School District will have outstanding an assumed share of \$1,860,795 of general obligation bonds which were issued by predecessor school districts. At that time, the Carlsbad Unified School District Educational Facilities Corporation will have \$1,170,000 Series of 1976 Bonds outstanding in addition to the \$1,420,000 Series of 1980 Bonds currently offered for sale. The aggregate of the Corporation and District's direct debt will be \$4,450,795 or 1.73 percent of 1979/80 assessed valuation.

Table 7 is a statement of the direct and estimated overlapping bonded debt of the Carlsbad Unified School District as of March 19, 1980. The Corporation's outstanding Series of 1976 Bonds and Series of 1980 Bonds are listed only in the fourth footnote to Table 7 since they are not a debt of the District.

The District's State School Building Aid repayable totals \$448,243. The District's share of authorized and unsold bonds consists of the following: Metropolitan Water District (\$1,522,050); and Carlsbad Municipal Water District, various Improvement Districts (\$283,653).

Table 7

CARLSBAD UNIFIED SCHOOL DISTRICT**Statement of Direct and Estimated Overlapping Bonded Debt^①**

Estimated Population	31,000 ^②	
1979/80 Assessed Valuation	\$257,551,842 ^③	
	Debt Applicable March 19, 1980 ^④	
	Percentage	Amount
San Diego County	2.729%	\$ 38,751
Metropolitan Water District	0.417	2,119,724
Oceanside-Carlsbad Community College District	22.795	239,347
Carlsbad Unified School District	92.504-100.000	1,860,795
Other School Districts	Various	2,454
Northern San Diego Hospital District	0.068	3,750
Tri-Cities Hospital District	33.818	3,846,797
Leucadia County Water District	8.475	102,123
City of Carlsbad	71.889	1,024,418
City of Oceanside and Small Craft Harbor	3.162	206,952
Carlsbad Municipal Water District, Improvement Districts 1-4	65.679-99.459	1,703,252
Total Direct and Overlapping Bonded Debt		\$11,148,363
Less: City of Oceanside Water Bonds (100% self-supporting)		24,663
City of Carlsbad Sewer Bonds (100% self-supporting)		887,829
Net Direct and Overlapping Bonded Debt		\$10,235,871
	Percentage of Assessed Valuation	Per Capita
Assessed valuation	— %	\$8,308
Direct debt	0.72	60
Total direct and overlapping debt	4.33	360
Net direct and overlapping debt	3.97	330

① Compiled in cooperation with California Municipal Statistics, Inc.

② Estimate by District staff.

③ Before deduction of \$13,870,869 homeowners' and business inventory exemptions, the taxes on which are reimbursed by the State.

④ Excludes sales, if any, between February 19, 1980 and March 19, 1980. Also excludes assessment bonds, revenue bonds and the following shares of bonds secured by lease obligations: Carlsbad Unified School District Educational Facilities Corporation, \$2,590,000 (including the \$1,420,000 of bonds currently offered for sale); San Diego County Building Authorities, \$2,118,522; San Diego County Water Authority, \$1,362,897; Northern San Diego Hospital Authority, \$10,618; and City of Carlsbad Building Authority, \$1,161,007.

ECONOMY OF THE DISTRICT

The Carlsbad Unified School District is located on the Pacific coastline in northwestern San Diego County. It encompasses 32.2 square miles, including approximately 80 percent of the land area of the City of Carlsbad, a small portion of the City of Oceanside, and certain unincorporated areas east and south of Carlsbad. The District is approximately 35 miles north of San Diego, 90 miles south of Los Angeles, and 485 miles south of San Francisco.

In 1887 springs were discovered in the area bearing practically the same mineral content as the waters of Karlsbad, Bohemia, hence the name (subsequently anglicized) given to the locality. The City of Carlsbad, incorporated in 1952, is fast becoming a center for light manufacturing, with electronics firms predominant in the local industrial structure. Carlsbad is largely oriented to families in the medium to upper income brackets. Household income is above the county average and above prevailing levels in surrounding communities.

Population, Housing and Income

Boundaries of the District closely approximate those of Subregional Area 43, a geographical unit utilized for statistical and economic studies by the Comprehensive Planning Organization of the San Diego Region. This body estimates a January 1, 1979 population of 36,070 for Subregional Area 43, an increase of 19,787 (121.5%) over the April 1970 U.S. Census tabulation. The District staff estimates a present District population of 31,000, based on enrollment patterns and area studies by Comprehensive Planning Organization and the State Department of Finance.

As of January 1, 1979, the City of Carlsbad had a population of 32,100, according to the State Department of Finance. This figure is more than double the 1970 Federal Census count. It represents a rate of gain much higher than the county-wide increase during the same period as reflected in the tabulation on page 40.

Between April 1970 and January 1979, Subregional Area 43 gained population at a greater rate than the City of Carlsbad (121.5% vs. 114.8%), indicating a faster rate of gain for unincorporated areas within the District.

In 1975 a special county-wide census reported 9,992 housing units for Subregional Area 43, com-

CITY OF CARLSBAD AND SAN DIEGO COUNTY

Population Growth 1950-1979

Year	City of Carlsbad	Percent Change	San Diego County	Percent Change
1950	4,383 ^①	—	556,808	—
1960	9,253	111.1%	1,033,011	85.5%
1970	14,944	61.5	1,357,854	31.4
1979	32,100	114.8	1,767,500	30.2

① Unincorporated.

Sources: 1950-1970, U.S. Bureau of the Census. January 1, 1979 estimates by the State Department of Finance.

pared with 5,812 in 1970. Of the total housing units, about 47 percent were single family dwellings, 43 percent multifamily units, and the remainder mobile homes. (Carlsbad has two modern mobile home parks.) By January 1979, there were 14,948 housing units in the area, composed of 60 percent single units, 30 percent multiple units, and 10 percent mobile homes, as estimated by the Comprehensive Planning Organization.

The 1970 Federal Census reported that the median income for all households in San Diego County was \$6,595, compared to \$8,983 in the Carlsbad area (Subregional Area 43). In the 1975 special census, the median household income in the County was reported to be \$10,982, while the Carlsbad area reported \$12,474. Over 180 Carlsbad households had 1975 annual incomes of \$40,000 or more, according to the special census. More than 50 percent of the 5,352 households responding to the question on education reported that their principal wage earner had one or more years of college, with 1,360 persons holding graduate or postgraduate degrees.

Employment

As previously noted, District boundaries approximate those of Subregional Area 43, a geographical unit of the Comprehensive Planning Organization of the San Diego Region. According to this organi-

zation's "1978 Employment Estimates", a total of 11,004 persons were employed in the area at the time of the survey. The principal categories of employment were trade (27%), manufacturing (22%), and services (19%). A summary of the employment inventory reported by the Comprehensive Planning Organization appears on the facing page.

Manufacturing employment within the District has expanded substantially in recent years, and now numbers in excess of 2,500 workers. A listing of the major employers located within and near the District appears on page 42.

Based on the results of the 1975 county-wide special census, over two-thirds of employed District residents work in Carlsbad, the adjacent City of Oceanside, or at Camp Pendleton. About 15 percent are employed in the neighboring communities of Vista, San Marcos, Fallbrook, Escondido, and San Dieguito. Over 300 persons commute to jobs in San Diego, and approximately 370 said they work elsewhere in San Diego County, or commute to Orange, Los Angeles, or Riverside Counties.

The San Diego Labor Market Bulletin reports that San Diego County unemployment rates as of October 1978 and October 1979 were 6.0% and 5.7%, respectively.

CARLSBAD UNIFIED SCHOOL DISTRICT

Total Civilian Employment by Industry, 1978

Industry	Employment
Agriculture	662
Construction	791
Manufacturing, Durables	1,882
Manufacturing, Non-Durables	549
Transportation, Utilities	604
Wholesale Trade	267
Retail Trade	2,734
Finance, Insurance, Real Estate	356
Services	2,086
Federal Government	45
State Government	82
Local Government	946
Total	11,004

Source: Comprehensive Planning Organization of the San Diego Region.

Industry

The District contains substantial tracts of industrial land, particularly along Interstate 5 at Palomar Road and in the vicinity of Palomar Airport. A number of nationally recognized firms have relocated operations from other areas. The Microbics Division of Beckman Industries moved its enzyme manufacturing facility from Alhambra in 1973, and now occupies a modern plant west of El Camino Real, about one mile northeast of the Airport. The Stillman Seal Division of Sargent Industries relocated from Culver City to Carlsbad in 1974, occupying a site west of Interstate 5, near the Encina Power Plant of San Diego Gas & Electric Co. Hughes Aircraft Co. has transferred a major part of its operations from Oceanside to Carlsbad.

The Palomar Airport Business Park, a venture of Mitsui Fudosan (USA) Inc., is now being developed south of the airport. The seven-year project began in June 1974. According to the developer, this planned industrial development covers 340 acres, and will have a total estimated value of \$50 million when completed. At full development, some 150

companies are expected to employ an estimated 5,000 people at this location. Among firms established in the park are Dyna-Med, LaCosta Products, Allied Swiss Screw Products, Coded Communications, the Lockheed Marine Biology Lab, and Pacific Telephone Company.

Oak Industries plans to start production of pay TV converters and decoders in leased buildings in early 1980. Initial operations will occupy three buildings on 15 acres, with construction of additional buildings as operations expand. This firm expects a work force of 400-500 by year-end, and plans to add approximately 100 workers annually, with projected total employment of 1,000 by 1985.

The Industrial Products Division of Hughes Aircraft Co., the District's largest industrial employer, added 165,000 square feet of floor space to its local plant after relocating from Oceanside. The plant, located immediately east of the Palomar Airport Business Park, employs 1,000 persons in the production of electronic components. The Hughes Helicopters Division of Summa Corporation employs 180 in the assembly and testing of helicopters at Palomar Airport.

Next to Hughes Aircraft, the largest industrial employer in the District is Burroughs Corporation, which employs approximately 530 in the production of computer components at its plant west of Interstate 5.

The San Diego Gas and Electric Co. has announced plans for a 350-acre commercial and industrial park on acreage it owns north of Palomar Airport. The park, to be developed by the Don Koll Co., will be oriented primarily to professional and commercial tenancy. The Koll organization has an option to purchase the property.

Commerce

Commercial activity in the District is concentrated in the central business district of Carlsbad and at Plaza Camino Real, a major new regional shopping center with convenient access from Interstate 5, State Highway 78 (Vista Way), and El Camino Real. There are five major department stores at this location: The May Company, J. C. Penney, Sears, The Broadway, and Bullock's. The latter is still under construction. Approximately 120 other retail and service establishments support these anchor tenants.

CARLSBAD UNIFIED SCHOOL DISTRICT

Largest Employers in the District and Vicinity

Company	Product/Service	No. of Employees
La Costa Resort Hotel and Spa	Hotel and health spa	1,100
Plaza Camino Real	Regional shopping center	1,000
Hughes Aircraft Co., Industrial Products Division	Industrial products	1,000
Tri-City Hospital	Medical care	920
Burroughs Corporation	Computer components	530
Carlsbad Unified School District	Education	400
Frazee Flowers, Inc.	Nursery	450
Car Country	Auto dealers	400
Oak Industries	Pay TV components	400①
Miracosta College	Community college	225
Sargent Industries, Stillman Seal Division	Seals, molded rubber products	300
City of Carlsbad	Government	200
Eaton-Leonard Corporation	Bending machines	195
Summa Corp., Hughes Helicopter Division	Helicopter assembly, testing	180
Dyna-Med, Inc.	Emergency medical supplies	185
San Diego Gas & Electric, Encina Plant	Utility	130
Beckman Instruments, Inc.	Microbics, biochemicals	110
Magnedyne Inc.	Electric motors	75
Anthony Industries	Swimming pools and equipment	75
Lancer Pacific	Orthodontic products	50

① Expected 1980 year-end employment. This is a new plant.

Source: Carlsbad Chamber of Commerce and personal contact by Stone & Youngberg, Municipal Financing Consultants, Inc.

Other major centers of commercial activity in the District are Car Country, a group of automobile dealers located east of Interstate 5, and La Costa Resort Hotel and Spa, a resort complex in the south-eastern portion of the District. This health spa caters to an upper-income clientele.

Data published by the State Board of Equalization indicate that since 1973 taxable sales transactions in the City of Carlsbad have increased more than three times, and the number of sales outlets has doubled as shown in the accompanying tabulation of transaction activity in the city. Taxable sales for the first six months of 1979, the latest data available, exceeded the total for all of 1975.

CITY OF CARLSBAD

Taxable Transactions 1973-1979

Year	No. of Outlets	Total Taxable Transactions
1973	405	\$ 66,169,000
1974	446	81,806,000
1975	496	97,102,000
1976	559	118,014,000
1977	647	166,380,000
1978	735	202,850,000
1979 (6 mos.)	810	108,870,000

Source: State Board of Equalization.

Construction Activity

From 1975 through 1979, the City of Carlsbad awarded building permits with an aggregate valuation exceeding \$337 million. Approximately three-fourths of this total valuation consisted of residential valuation. Residential permits included 4,212 single family units and 1,004 multiple units, with the peak of activity occurring in 1976 and 1977.

In 1977 the City of Carlsbad imposed a sewer moratorium, resulting in reduced construction activity during 1978 and 1979. The moratorium has now been modified. The city has approved the issuance of 3,700 residential connections, to be accomplished by September 1980. As a result of additional industrial sewer capacity now available, Beckman Instruments has announced that it will expand its Carlsbad plant.

New homes in Carlsbad are largely in the medium-to-upper price ranges. During 1979, the average

permit value for single family dwellings in the city was \$98,088, exclusive of land. The comparable county-wide figure was \$64,080. In neighboring Oceanside the average new home permit value was \$59,907, and in the community of Vista bordering Carlsbad to the east, the average new home permit was valued at \$57,343.

Presented below is a summary of building permit valuation in the City of Carlsbad by individual years since 1975.

Education

In addition to educational services provided by the Carlsbad Unified School District, instruction in the elementary and secondary grades is provided by St. Patrick's (grades 1-8, enrollment 282), the private Army and Navy Academy (grades 7-12, enrollment 314), and Victory Christian High School (grades 7-12, enrollment 175), all located in Carlsbad.

CITY OF CARLSBAD

Valuation of Building Permits 1975-1979

(Thousands of Dollars)

Category	1975	1976	1977	1978	1979
Residential	\$13,739	\$ 73,574	\$139,280	\$ 11,632	\$ 18,034
New Commercial	2,418	5,005	4,420	18,128	11,148
New Industrial	2,177	2,956	869	2,738	998
Other	2,137	19,139	1,260	2,208	5,536
Total Value	\$20,471	\$100,674	\$145,829	\$ 34,706	\$ 35,716
Number of New Dwelling Units:					
Single Family	261	1,574	2,143	98	136
Multi-Family	74	225	619	48	38
Total Units	335	1,799	2,762	146	174

Source: "California Construction Trends", Security Pacific National Bank.

Public education beyond high school is available at Miracosta College, Oceanside, having a day and evening enrollment of 6,485 and at Palomar College, San Marcos, with an enrollment exceeding 13,700. Both are community colleges and offer the Associate of Arts or Associate in Science certificate in various vocational and academic pursuits.

The San Diego campus of the University of California at La Jolla is located approximately 20 miles south of the District. The University offers graduate and undergraduate instruction to over 9,800 students at four colleges. The campus serves as headquarters for the University's Institute of Marine Resources and includes the long-established and celebrated Scripps Institution of Oceanography. There is also a School of Medicine in the educational complex.

Other four-year degree institutions in the Metropolitan San Diego area include San Diego State University (enrollment 30,300), the University of San Diego, a private institution enrolling approximately 3,770, United States International University (enrollment 2,960), and Point Loma College, with an enrollment of 1,770. These institutions bolster the local economy through the attraction of research dollars to San Diego County.

San Diego State University offers the bachelor's degree in 65 fields, and the master's degree in 50. There are doctorate programs in chemistry, genetics and ecology at this campus. The University operates an Off Campus Center at Calexico, in Imperial County, which provided instruction to 423 students during the 1978/79 academic year.

Transportation

Interstate 5, the principal highway through California from Mexico to Canada, traverses the western part of the District. California Highway 78, which joins I-5 north of Carlsbad, runs along the northern part of the District, to Vista, San Marcos, and Escondido, where it connects with U.S. 395, a major inland route from San Diego through eastern California. The Palomar Airport Road (S12) and El Camino Real (S11) intersect near the center of the District, providing efficient traffic circulation for this area.

The Atchison, Topeka and Santa Fe Railway provides freight service to the District. There is an Amtrak station at Oceanside. More than 100 major

truck carriers serve the area, operating out of San Diego and Los Angeles. Interurban bus service is provided by Greyhound Bus Lines and Continental Trailways. The North County Transit System offers local bus service in the District.

General aviation facilities are available at the county-operated Palomar Airport, located almost in the geographical center of the District. This airport, open 24 hours, has a 4,700-foot runway, approximately 200 based aircraft, and logs more than 190,000 annual operations. An FAA control tower is open from 7 A.M. until 11 P.M. daily, and oversees VASI, ALS and ILS landing aids. Commuter passenger service is available from Golden West Airlines.

Proposed future development includes plans to extend the runway to 5,100 feet and to build a second runway to the north. Palomar Airport is the focus of a growing industrial complex.

Regularly scheduled passenger and air cargo service to all points is available at San Diego International Airport (Lindbergh Field), less than an hour's drive south of the District via Interstate 5. Deep water transportation is available at the Port of San Diego, approximately the same distance south.

Banking

Banking services in the District are offered by Bank of America, Crocker National Bank, Security Pacific National Bank (three branches), the South-west Bank, and West Coast National Bank. Other financial institutions maintaining offices in the District are American Savings and Loan, Central Federal Savings and Loan (two offices), Gibraltar Savings and Loan, Home Federal Savings and Loan, La Jolla Federal Savings and Loan, Oceanside Federal Savings and Loan, and Rancho Santa Fe Savings and Loan Association.

Utilities

The District is served by the following utilities:

Gas and electricity:	San Diego Gas and Electric Company
Telephone:	Pacific Telephone Company
Water:	Carlsbad Municipal Water District

Sanitation: Encina Water Pollution Control
 Facility (Carlsbad, Vista,
 San Marcos, Encinitas,
 Leucadia, Buena)

The San Diego Gas and Electric Company's Encina Power Plant is located within the District. The company recently added a fifth generating unit to the plant as part of a \$94 million expansion program, resulting in a total generating capacity of over 930 megawatts. The plant is the largest in the SDGE system. As previously noted, the installation has a 1979/80 assessed valuation in excess of \$52 million, indicating a full cash value of over \$210 million, as determined by the State Board of Equalization.

Community Facilities

The District is located in the Tri-City Hospital District, which operates a modern 231-bed facility at Oceanside, immediately north of the Carlsbad city limits. The communities of Carlsbad, Oceanside, and Vista formed this hospital district in 1958. Also in Oceanside is the North County Community Hospital, with 67 beds.

The twice-weekly *Carlsbad Journal* and the daily *Blade-Tribune* of Oceanside provide local news coverage. The daily *San Diego Union* and *Evening Tribune* have special coverage of the North Coast. KKOS-FM, Carlsbad, KUDE, Oceanside, and KMLO, Vista, broadcast locally. San Diego and Los

Angeles television channels are received in the District.

The City of Carlsbad maintains a public library which offers audio-visual materials, films, projectors, tapes, cassettes, albums, and art print and pattern rentals. The city maintains eight parks. There are 13 churches in the community.

In and near the District are four 18-hole golf courses and two 9-hole courses, including the public Rancho Carlsbad Golf Course and the private La Costa Country Club. The latter is the site of the prestigious Tournament of Champions, a leading event on the professional golf circuit.

Carlsbad State Beach has three miles of excellent beaches. Agua Hedionda Lagoon in the west central part of the District, is a popular water sports area, and there is a waterfowl refuge at Buena Vista Lagoon, near the Oceanside city limits. Surfing, surf-fishing, water skiing, sailing, scuba diving, and boat launching facilities are available in the area. Other recreational attractions include State-operated day and overnight campgrounds and the Carlsbad Raceway for auto racing.

Miracosta College offers a comprehensive program of chamber music, opera, lectures, concerts, drama, and public affairs discussions. The many cultural and recreational advantages of Metropolitan San Diego are less than an hour's drive to the south of the District.

SAN DIEGO COUNTY

San Diego County is among the most rapidly growing areas in the United States. The County extends 70 miles along the Pacific Coast from the Mexican border to Orange County. It is bounded on the northeast by Riverside County and extends inland 75 miles to Imperial County. Encompassing 4,255 square miles, the County is approximately the size of the State of Connecticut.

The San Diego area is one of the oldest settled sections of the United States. The Bay of San Diego was discovered in 1542 by the Spanish explorer Cabrillo, and in 1769 Father Junipero Serra founded the Mission San Diego de Alcala, the first in the chain of 21 California missions.

Topography of the County varies from broad coastal plains to fertile inland valleys and mountain ranges to the east, rising to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most of the population and resources are located. Maximum daily temperatures along the coast average 70.8° and mean temperatures vary only 14° between the warmest and coldest months. Average annual rainfall in the coastal areas is approximately ten inches.

In addition to San Diego (population 825,700), other principal cities are Chula Vista (81,400), Oceanside (72,400), El Cajon (71,100), Escondido (60,000), La Mesa (50,100), National City (48,100), Vista (33,350), and Carlsbad (32,100).

The majority of the population of the County lives within 20 miles of the coast. Further inland there are agricultural areas, principally planted in citrus and avocados, while the eastern portion of the County is of a dry, desert-like topography.

Population

Since the 1940 Census, the population of San Diego County has grown at a greater rate than the State of California as a whole. The tabulation at the top of page 47 summarizes County and State population growth since 1940. The County's January 1979 population of 1,767,500 was 30 percent greater than the 1970 Census. About 77 percent of all County residents live in incorporated areas.

SAN DIEGO COUNTY AND STATE OF CALIFORNIA

Population Growth

Year	County	Percent Increase	State of California	Percent Increase
1940	289,348	—%	6,907,387	—%
1950	556,808	92.4	10,586,223	53.3
1960	1,033,011	85.5	15,717,204	48.5
1970	1,357,854	31.4	19,953,134	27.0
1979	1,767,500	30.2	22,471,000	12.6

Sources: U.S. Census — 1940-1960.
State Department of Finance — January, 1979.

The Comprehensive Planning Organization of the San Diego Region forecasts continued rapid growth of population in San Diego County, with the most rapid growth in the North County region.

Employment

The San Diego Labor Market Area, as defined by the State Employment Development Department, includes all of San Diego County. As of October 1979, this labor market provided 696,800 jobs for a labor force of 739,200. Compared with the previous October, employment increased 7.1 percent, while the labor force increased 6.8 percent, resulting in a drop in the unemployment rate to a level of 5.7 percent for the most recent monthly reporting period.

Government is the principal category of employment in San Diego County, accounting for nearly 23 percent of all wage and salary jobs for the calendar year 1978. State and local government employees form the great majority of workers in this classification. Next in importance among the major employment categories are services, retail trade, and manufacturing, in that order.

Annual labor force and employment data for the past five years are shown in the tabulation below.

SAN DIEGO COUNTY

Labor Force, Employment, and Unemployment

	1974	1975	1976	1977	1978
Labor Force ^①	560,200	572,600	600,600	646,600	688,900
Employment	513,700	512,900	539,700	590,500	644,440
Unemployment Rate	8.3%	10.4%	10.1%	8.7%	6.5%
Wage and Salary Employment: ^②					
Construction	24,600	22,800	26,500	32,900	38,000
Manufacturing	76,800	71,900	72,600	77,800	88,500
Transportation, Utilities	22,600	22,500	22,800	24,100	26,000
Wholesale Trade	17,100	17,200	18,500	19,800	21,700
Retail Trade	86,800	90,900	97,000	105,300	117,700
Finance, Insurance, Real Estate	25,000	24,600	26,700	29,800	33,100
Services	97,100	99,600	104,900	116,800	132,200
Government, Federal	37,600	39,200	39,900	40,000	40,400
Government, State and Local	81,000	88,100	90,700	95,900	98,600
Mining	800	800	800	800	700
Agriculture	11,100	11,700	11,300	11,900	13,100
Total	480,500	489,300	511,700	555,100	610,000

① By place of residence.

② By place of work.

Source: State Department of Employment Development.

Income

According to the U.S. Department of Commerce, San Diego County was third among all California counties in 1977 personal income. Its \$11,898,700,000 trailed only Los Angeles County and Orange County, and registered a gain of 12 percent over the previous year.

Military Installations

San Diego is the headquarters for the Eleventh Naval District, encompassing, the states of California, Nevada, and Arizona. There are numerous Navy and Marine facilities in San Diego County. Camp Pendleton, the largest amphibious training base in the world, is located a few miles north of the District.

Research and Development

Research and development activity plays an important role in the economy of San Diego County. Construction of a major campus of the University of California at San Diego (UCSD) in 1964 gave significant impetus to this development. In addition to UCSD, other established research institutions in the La Jolla area include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and Scripps Institution of Oceanography.

Recreation

The San Diego area's mild, year-round climate and many attractions and recreation features have drawn millions of visitors annually from throughout the nation. There are over 70 golf courses in San Diego County, including the championship Torrey Pines and La Costa courses, scene of the San Diego Open and Tournament of Champions, respectively.

A major attraction is the proximity to Mexico, where the visitor can attend greyhound and thoroughbred racing, jai alai, and bullfights.

Agriculture

San Diego County ranks among the top agricultural counties of California, leading the State in the production of avocados, tomatoes, and flowers. Cultivated acreage in production in 1978 increased by more than 10,000 acres. Due to early rains and high winds later in the season, the gross value of farm production decreased approximately three percent from the 1977 output, to a level of \$324,300,000. There were 18 commodities in the million-dollar class in 1978.

Annual summaries of agricultural production in the County for the past five years are presented in the tabulation below. Fruits and nuts, nursery products and vegetables experienced the strongest growth rates during this period.

SAN DIEGO COUNTY

Gross Value of Agricultural Production

Commodity	1974	1975	1976	1977	1978
Field crops	\$ 2,727,350	\$ 3,702,300	\$ 4,709,800	\$ 4,170,000	\$ 3,361,000
Fruits and nuts	54,033,610	75,656,510	84,074,200	90,317,680	88,000,000
Vegetables	60,339,000	67,893,000	73,751,200	83,238,000	74,011,000
Nursery products	40,135,000	62,376,000	68,747,000	72,018,000	66,712,000
Livestock and poultry	9,686,000	10,953,000	10,840,000	8,817,000	10,191,000
Animal products	72,640,000	72,105,000	80,324,000	76,430,000	81,615,000
Apiary	300,000	836,000	395,000	44,000	438,000
Total	\$239,860,960	\$293,521,810	\$322,841,200	\$335,034,680	\$324,328,000

Source: County Department of Agriculture, Weights, and Measures.

ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION

Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax is to be collected by the counties and apportioned according to laws to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

(a) The full cash value means the county assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 full cash value may be reassessed to reflect that valuation. For purposes of this section, the term "newly constructed" shall not include real property which is reconstructed after a disaster, as declared by the Governor, where the fair market value of such real property, as reconstructed, is comparable to its fair market value prior to the disaster.

(b) The full cash value base may reflect from year to year the inflationary rate not to exceed 2 percent for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced to reflect substantial damage, destruction or other factors causing a decline in value.

Section 3. From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by no less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

Section 4. Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

Section 5. This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6. If any section, part, clause or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect.

ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

Sec. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in this Article.

Sec. 2. Revenues received by any entity of government in excess of that amount which is appropriated by such entity in compliance with this Article during the fiscal year shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Sec. 3. The appropriations limit for any fiscal year pursuant to Sec. 1 shall be adjusted as follows:

(a) In the event that the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation or otherwise, from one entity of government to another, then for the year in which such transfer becomes effective the appropriations limit of the transferee entity shall be increased by such reasonable amount as the said entities shall mutually agree and the appropriations limit of the transferor entity shall be decreased by the same amount.

(b) In the event that the financial responsibility of providing services is transferred, in whole or in part, from an entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from other revenues of an entity of government, to regulatory licenses, user charges or user fees, then for the year of such transfer the appropriations limit of such entity of government shall be decreased accordingly.

(c) In the event of an emergency, the appropriation limit may be exceeded provided that the appropriation limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

Sec. 4. The appropriations limit imposed on any new or existing entity of government by this Article may be established or changed by the electors of such entity, subject to and in conformity with constitutional and statutory voting requirements. The duration of any such change shall be as determined by said electors, but shall in no event exceed four years from the most recent vote of said electors creating or continuing such change.

Sec. 5. Each entity of government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar funds as it shall deem reasonable and proper. Contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes, shall for purposes of this Article constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund, nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

Sec. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

(a) Legislative mandates requested by the local agency affected;

(b) Legislation defining a new crime or changing an existing definition of a crime; or

(c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

Sec. 7. Nothing in this Article shall be construed to impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness.

Sec. 8. As used in this Article and except as otherwise expressly provided herein:

(a) "Appropriations subject to limitation" of the state shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6 of this Article) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds;

(b) "Appropriations subject to limitation" of an entity of local government shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6 of this Article) exclusive of refunds of taxes;

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (i) regulatory licenses, user charges, and user fees to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service, and (ii) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6 of this Article, and, with respect to the state, proceeds of taxes shall exclude such subventions;

(d) "Local government" shall mean any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state;

(e) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government; provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year;

(f) "Population" of an entity of government, other than a school district, shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily attendance as determined by a method prescribed by the Legislature;

(g) "Debt service" shall mean appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose.

(h) The "appropriations limit" of each entity of government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 1 and Section 3; provided, however, that the "appropriations limit" of each entity of government for fiscal year 1978-79 shall be the total of the appropriations subject to limitation of such entity for that fiscal year. For fiscal year 1978-79, state subventions to local governments, exclusive of federal grants, shall be deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" shall not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

Sec. 9. "Appropriations subject to limitation" for each entity of government shall not include:

(a) Debt service.

(b) Appropriations required for purposes of complying with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value; or the appropriations of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

Sec. 10. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

Sec. 11. If any appropriation category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause or phrase in this Article is for any reason held invalid or unconstitutional, the remaining portions of this Article shall not be affected but shall remain in full force and effect.

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